



# 彩生活服務集團有限公司

## Colour Life Services Group Co., Limited

(incorporated in the Cayman Islands with limited liability)  
Stock Code:1778

### 2014 INTERIM REPORT



Service To Your Family

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Tang Xuebin  
Mr. Dong Dong  
Mr. Zhou Qinwei

### Non-executive Directors

Mr. Pan Jun (Chairman)  
Mr. Lam Kam Tong  
Mr. Zeng Liqing

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

Mr. Tam Chun Hung, Anthony (Chairman)  
Dr. Liao Jianwen  
Mr. Xu Junda

## REMUNERATION COMMITTEE

Dr. Liao Jianwen (Chairman)  
Mr. Tang Xuebin  
Mr. Tam Chun Hung, Anthony  
Mr. Xu Junda

## NOMINATION COMMITTEE

Mr. Pan Jun (Chairman)  
Mr. Tang Xuebin  
Mr. Tam Chun Hung, Anthony  
Dr. Liao Jianwen  
Mr. Xu Junda

## COMPANY SECRETARY

Ms. Cheng Pik Yuk

## AUTHORISED REPRESENTATIVES

Mr. Tang Xuebin  
Ms. Cheng Pik Yuk

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

12th Floor, Colour Life Building  
Meilong Road, Liuxian Avenue  
Bao'an District  
Shenzhen, the PRC

## PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 1202-03, New World Tower 1  
16-18 Queen's Road Central  
Central  
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong  
Limited: 1778

## COMPANY'S WEBSITE

[www.colourlife.hk](http://www.colourlife.hk)

## AUDITORS

Deloitte Touche Tohmatsu

## COMPLIANCE ADVISOR

Altus Capital Limited

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman)  
Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

Bank of China Limited  
Industrial and Commercial Bank of  
China Limited

# HONOURS AND AWARDS

In June 2014, Colour Life Services Group Co., Limited (the “Company” or “Colour Life”) was granted the following awards by China Real Estate TOP 10 Research Team:

1. 2014 China TOP 100 Property Management Companies
2. 2014 China TOP 100 Property Management Companies – Leading Characteristic Property Management Enterprises – Community Services Operator
3. 2014 China TOP 100 Property Management Companies – TOP 10 Property Management Companies in terms of Business Scale
4. 2014 China TOP 100 Property Management Companies – TOP 10 Growing Companies
5. 2014 China TOP 100 Property Management Companies – Leading Property Management Companies in terms of Customer Satisfaction

In June 2014, the Company was also honoured as the “2014 No.1 Property Management Company in terms of Total GFA of Residential Properties Managed in China” by China Index Academy and China Real Estate Index System.



# CHAIRMAN'S STATEMENT



Dear Shareholders,

The first half of 2014 represented a significant milestone in the development of Colour Life. Leveraging its position as “China’s Largest Community Services Operator” and adhering to its vision of “Service to Your Family”, the Company has continued to integrate social resources based on internet thinking, as well as to pay uncompromising attention to every need of our customers and enhance property service efficiency in a rapid manner. Following twelve years of rapid development, the Company converted physical communities into an internet platform connecting online and offline worlds, outplaying the traditional property management model. On 30 June 2014, the Company was successfully listed on the Main Board of the Stock Exchange, and thus realised the corporate aspiration of becoming a public listed company with governance practices that Colour Life had been pursuing. The unique business model of the Company has been highly recognised by investors. Unlike most of the Chinese property stocks that went burst immediately after listing in recent years, the share price of the Company surged by 21.69% on its first day of listing, making the Company a new star of share issue of real estate companies in the Hong Kong capital market.

The successful listing of the Company started a new chapter for the development of Colour Life. It also represented a strategic move of further expanding the presence and enhancing the revenue of Colour Life; a major initiative of further improving the service quality and cost effectiveness of the Company as well as the development of the online and offline service platforms; and a beneficial way of establishing Colour Life as a leader of the community service industry in China.

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company (together with its subsidiaries, the “**Group**”), I am pleased to present the interim report of the Group for the six months ended 30 June 2014 (the “**Period**”). As at 30 June 2014, the Group recorded revenue of RMB163.4 million, representing a year-on-year growth of 49.0%; and profit of RMB65.3 million, representing a year-on-year growth of 188.5%. Net profit attributable to the owners of the Company was RMB62.0 million, representing a year-on-year growth of 206.9%.

## CHAIRMAN'S STATEMENT

### 1. MAKING GREAT STRIDES BY RAPID EXPANSION

Capitalising on the strong brand recognition and sizable business model, the Company achieved a rapid expansion in both projects and gross floor area (“GFA”) under management through acquisitions and on a fully commissioned basis in the first half of 2014, which has continued to maintain a favourable position in the residential property management industry in China. As at 30 June 2014, we had 1,037 management service projects with an aggregate GFA of approximately 162 million square meters (“sq.m.”), representing a growth of 64.6% and 75.3% as compared to 31 December 2013, respectively. Meanwhile, we also provided consultancy services to residential communities, which further expands the coverage of our service platform.

### 2. STANDARDISED MANAGEMENT TO ENHANCE SERVICE QUALITY AND REALISE COST EFFECTIVENESS

With the implementation of our business strategy of standardisation, centralisation and automation, the Company reconstructed its management projects using modern techniques and network technologies. It also encouraged complaints and continued to enhance service quality so as to provide property owners with a more convenient, secured and comfortable living experience, which created a colourful community life and significantly increased customer satisfaction. In the meantime, we also continued to strengthen the connection and coordination between the segment of acquisitions of additional management projects and the integration segment, as well as to shorten the integration process and accelerate the reconstruction of Colour Space 2.1, an automation and other equipment upgrade service, and the practical financial management. As at 30 June 2014, the Company introduced the reconstruction of Colour Space 2.1 for 240 management projects, and thus achieved better cost effectiveness.

### 3. DEVELOP O2O VALUE-ADDED SERVICES THROUGH PLATFORM CONSTRUCTION

Leveraging the precise positioning of residential needs from communities which we managed or provided consultancy services to, we gradually integrated service resources by including living-related business services from various fields, such as basic maintenance (E-maintenance) and financial services (E-wealth management). The community service mobile application “Caizhiyun (彩之雲)” has been developed and promoted to build a micro-district 1km in radius for the community. This converted physical communities into an online to offline (“O2O”) platform that connects online and offline Internet services, and thus users of the community are provided with quality O2O service experience and enhanced user value. As at 30 June 2014, the community service mobile application had 500,000 registered users, of which over 200,000 are active users.

### 4. EXPEDITE THE CULTIVATION OF TALENTS AND ACHIEVE ADVANCEMENTS IN OUR MECHANISMS TO BREAK THROUGH THE BOTTLENECK

To maintain a rapid development, we require an abundant supply of outstanding talents which are in line with the management system of the Company. To this end, the Company has organised workshops for the Directors and seminars for the senior management with a view to cultivate them, and has gradually promoted the experience sharing among frontline staff. Therefore, the Company has been able to meet its demand for talents while enhancing the service awareness and life skills of its staff. In addition, we also conducted a revolutionary repositioning on our frontline staff, advanced our remuneration mechanism and optimised the career paths for staff at all levels. These efforts have strengthened the abilities and passion of staff and broken through the bottleneck amidst the Company's development.

## CHAIRMAN'S STATEMENT

### 5. OUTLOOK AND DEVELOPMENT

Property management is not only the management of an object but also the provision of services to people. Hence, we have to consider meeting customers' needs and enhancing customer satisfaction as our starting points and objectives. On top of basic services including security, cleaning and maintenance, we have incorporated the extended services that meet reasonable and living needs of property owners into the service scope of "Colour Life". In particular, we utilise the characteristics of the internet to reconstruct traditional properties and convert physical communities into an internet platform based on a large pool of data.

Looking ahead, Colour Life will continue to be at the forefront of the industry. With the close integration between the internet and our services as well as the establishment of an O2O platform, we will reward residents of the communities in bonus points through the extended innovative business platform of the industry chain. Furthermore, we will also lower traditional service fees and enhance the integrated experience of our users, enabling millions of property owners to enjoy more community services of higher quality at a lower service fee.

### 6. ACKNOWLEDGEMENT

Colour Life is a company driven by missions and visions. We have always been in the pursuit of achieving ideological breakthroughs and making unremitting efforts towards our future development with strong determination. Our achievements made in the past, and in the future, would not have been possible without our customers, staff, business partners and shareholders. I would like to take this opportunity to express my gratitude to them for their unwavering trust, attention and support. Together with you, Colour Life has become more confident with stronger brand equity. Therefore, we will continue to realise greater returns for shareholders and investors so as to create a colourful life for all of you and the Group.

# CHAIRMAN'S STATEMENT



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### REVENUE

#### Property Management Services

The Group's revenue mainly arises from (i) property management services, (ii) engineering services, (iii) community leasing, sales and other services. For the six months ended 30 June 2014, the total revenue increased by 49.0% to approximately RMB163.4 million from RMB109.7 million for the same period in 2013. The increase in revenue was primarily due to (i) an increase in the total revenue-bearing GFA and (ii) an increase in the amount of community leasing, sales and other services the Group delivered.

For the six months ended 30 June 2014, income from property management services increased by 33.3% from RMB71.7 million in the same period in 2013 to RMB95.6 million.

Such increase was attributable to

- (a) The increases in income from service fees under commission basis and consultancy services due to the increase in GFA managed by the Company, which amounted to RMB18.5 million and RMB10.2 million, respectively. As at 30 June 2014, the effective revenue-bearing GFA increased by 98.9 million sq.m. or over 263.0% from 37.6 million sq.m. as at the same date in 2013 to 136.5 million sq.m.



## MANAGEMENT DISCUSSION AND ANALYSIS

- (b) Pre-sale ancillary services remained stable in the first half of 2014 as compared to the same period last year.

Property management service income in the first half of 2014 accounted for 58.5% of overall income, representing a decrease of 6.8 percentage points as compared to 65.3% for the same period in 2013. The decrease was primarily due to the growth of the service income from Engineering Services Segment, and Community Leasing, Sales and Other Services Segment.

Property management services for certain office buildings, will not be the business on which Colour Life will focus in the future. Meanwhile, to eliminate the potential competition between the Group and Fantasia Holdings Group Co., Limited ("Fantasia"), the controlling shareholder of the Group, Colour Life will withdraw from property management of pure commercial properties, of which certain projects have been withdrawn in 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Engineering Services

For the six months ended 30 June 2014, engineering service income increased by 77.3% from RMB19.8 million for the same period in 2013 to RMB35.1 million.

The growth in engineering services was primarily attributable to (a) the rapid growth in community repair and maintenance service income which increased by 298.2% to RMB22.3 million in the first half of 2014 from RMB5.6 million for the same period in 2013 as the effective revenue-bearing GFA increased; (b) an income of RMB2.4 million derived from the same community equipment leasing income in the first half of 2014 as the Company carried forward its community equipment alteration project; and was offset by (c) the decrease in equipment installation service income of 27.3% to RMB10.4 million in the first half of 2014 from RMB14.3 million for the same period in 2013 as the reduction in the Company's external installation of intelligent facilities for buildings resulted in a decrease in income.

### Community Leasing, Sales and Other Services

For the six months ended 30 June 2014, community leasing, sales and other services income increased by 79.7% from RMB18.2 million for the same period in 2013 to RMB32.7 million.

The growth in community leasing, sales and other services was primarily attributable to (a) the rapid growth in software usage fees driven by the Group's growth in the total revenue-bearing GFA, the income of which increased by 385.7% to RMB13.6 million in the first half of 2014 from RMB2.8 million for the same period in 2013; (b) the increase in community common area rental assistance commission income of 47.4% to RMB11.5 million in the first half of 2014 from RMB7.8 million for the same period in 2013; (c) other income which remained generally stable.

### COST OF SALES AND SERVICES

Our cost of sales and services primarily comprises labor costs, sub-contracting costs, costs of raw materials (which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes, and others), utility costs, depreciation and amortisation and others.

For the six months ended 30 June 2014, cost of sales and services increased by 10.0% from approximately RMB50.5 million for the same period in 2013 to approximately RMB55.5 million. The increase was primarily attributable to the increase in repair and maintenance costs and the increase in equipment leasing costs due to the expansion of operation scale.

### GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2014, the overall gross profit of the Company increased by 82.4% from RMB59.2 million for the same period in 2013 to RMB108.0 million.

For the six months ended 30 June 2014, the overall gross profit margin increased by 12.1 percentage points to 66.1% in the first half of 2014 from 54.0% for the same period in 2013. The increase was primarily attributable to (a) the increase in the proportion of income under commission basis and consultancy service income which had a gross profit margin of nearly 100% resulting in the consistent growth in gross profit and gross profit margin; and (b) the gradual decrease in the proportion of service income under lump sum basis and pre-sale ancillary service income which had a lower gross profit margin.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER LOSSES AND OTHER INCOME

For the six months ended 30 June 2014, gross profit from engineering services segment increased by 150.8% from approximately RMB6.3 million for the same period in 2013 to approximately RMB15.8 million. The increase was primarily attributable to (a) the increase in the proportion of repair and maintenance service income which had a higher gross profit margin, resulting in the consistent growth in gross profit and gross profit margin, and the increase in gross profit from repair and maintenance service income of 400.0% to approximately RMB11.0 million in the first half of 2014 from approximately RMB2.2 million for the same period in 2013; (b) the addition of equipment leasing services which had a higher gross profit margin. As a result of the above factors, gross profit margin of engineering services increased by 13.3% to 45.0% in the first half of 2014 from 31.7% for the same period in 2013.

For the six months ended 30 June 2014, gross profit from community leasing, sales and other services segment increased by 82.5% from approximately RMB17.7 million for the same period in 2013 to approximately RMB32.3 million. Gross profit margin remained at nearly 100%, being 98.7%, representing an increase of 1.6 percentage points as compared to 97.1% for the same period in 2013. The increase was primarily attributable to the gross profit margin of all businesses which remained at high level and the greater growth in their respective sales income in the Period.

Other losses for the six months ended 30 June 2014 was a loss of approximately RMB3.6 million, which has increased by 63.6% as compared to approximately RMB2.2 million for the same period in 2013. The increase was mainly attributable to the provision of an impairment allowance for trade receivables of RMB1.4 million during the Period, representing an increase of RMB0.6 million as compared to RMB0.8 million for the same period in 2013.

During the Period, other income increased by 78.6% from RMB1.4 million for the same period in 2013 to RMB2.5 million. The increase was primarily attributable to the receipt of an unconditional government grants from tax contribution of RMB0.9 million, as compared to RMB0.2 million for the same period in 2013.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the six months ended 30 June 2014 was RMB1.4 million, which remained stable as compared to the RMB1.5 million for the same period in 2013.

### ADMINISTRATION COSTS

During the Period, administration costs decreased by 27.4% from RMB24.8 million for the same period in 2013 to approximately RMB17.9 million. The decrease was primarily attributable to further enhancement of centralised control and further reduction of personnel in each regional business unit, which resulted in the decrease in staff costs of RMB9.5 million and the increase in office expenses of RMB6.8 million as compared to the same period last year. In addition, the layout of area expansion of the Eastern China and Southern China business units were basically completed, which substantially reduced the travelling expenses for market development, resulting in the decrease in travelling expenses of RMB2.7 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EXPENSES RECHARGED TO RESIDENTIAL COMMUNITIES UNDER COMMISSION BASIS

Expenses which the Group can recharge to residential communities under commission basis are administrative expenses which are incurred at the Group's headquarters by departments such as information technology, finance and treasury, human resources, legal and compliance, central command center and operational management team and directly attributable to providing property management services to such communities. Under the relevant property management contracts, the Group is entitled to recharge such expenses to the relevant residential communities. The expenses are allocated and recharged to each community managed on a commission basis with reference to (i) revenue generated by each community's management office, and each management office's contribution to the Group's revenue, and (ii) the expenses incurred at the headquarters which are directly attributable to the performance of property management services at each community.

For the six months ended 30 June 2014, these recharged expenses amounted to RMB10.2 million, representing an increase of 43.7% as compared to RMB7.1 million for the same period in 2013. These increases were primarily attributable to the increase in the recovery of costs which in turn resulted from the simultaneous growth in costs for the headquarters attributable to community management, such as personnel and office expenses, due to the increase in personnel in areas such as financial and human resources for the headquarters as a result of the continuous increase in the number of communities, as the effective revenue-bearing GFA increased.

### INCOME TAX EXPENSE

Income tax expense was RMB24.6 million for the six months ended 30 June 2014, which has increased by 138.8% as compared to RMB10.3 million for the same period in 2013, mainly due to the increase in the Group's profit before tax.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily comprises housings and buildings, furniture and office equipment, tools and equipment, motor vehicles, improvements of fixed assets and construction in progress. On 30 June 2014, property, plant and equipment of the Group increased by approximately RMB9.8 million from the same period last year to approximately RMB33.3 million, which was mainly due to the increase in the investment in intelligent system alteration of approximately RMB7.8 million and the addition of two sets of office properties, which amounted to approximately RMB3.7 million, during the Period.

### INVESTMENT PROPERTIES

As at 30 June 2014, the investment properties held by the Group amounted to approximately RMB28.4 million (31 December 2013: RMB26.7 million). Those investment properties had been assessed by Jones Lang LaSalle Sallmanns Limited, with independent assessment reports issued. The investment properties for the Period increased by approximately RMB1.7 million (6.4%) as compared to 2013, which was mainly due to the 10 sets of properties received from developers for deduction of outstanding management fees, as well as selling 3 sets of originally owned investment properties during the Period.

### GOODWILL

Since 30 June, 2013, as the Group has not acquired any property company, there is no change in the goodwill for the Period. Based on the impairment assessment conducted by the management, there was no indication of impairment related to the goodwill, and no impairment provision was required.

## MANAGEMENT DISCUSSION AND ANALYSIS

### DEFERRED TAXES

As at 30 June 2014, the deferred tax assets that resulted from the allowance for doubtful debts amounted to approximately RMB4,542,000; the Group's deferred income tax liabilities that resulted from the time difference for recognising the income from energy-saving alternation services, the term difference for amortisation of intangible assets and the gains from revaluation of investment properties in aggregate of approximately RMB360,000.

### TRADE AND OTHER RECEIVABLES

Trade receivables mainly include receivables generated by income from property services, income from works, installations and repair services, as well as income from value-added services.

As at 30 June 2014, total trade receivables of the Group amounted to approximately RMB81.5 million, which has increased by approximately RMB24.3 million as compared to approximately RMB57.2 million as at 31 December 2013. The increase was attributable to the significant increase in GFA of properties from which the Group effectively generated income during the Period, which resulted in corresponding increases in repair and maintenance fees, consultation fees and software usage fees of communities.

Trade and other receivables and prepayments increased from approximately RMB48.6 million as at 31 December 2013 to approximately RMB49.2 million as at 30 June 2014, primarily attributable to the respective increases in payments on behalf of residents of residential communities under consultancy service arrangements and official staff borrowings of RMB11.1 million and RMB2.2 million due to the addition of 306 communities under consultancy agreements. Furthermore, our equipment installation business experienced a strategic transformation and a significant reduction in business volume, resulting in a decrease in advance payment to suppliers of RMB4.3 million. The balance of deferred listing expenses for last year of RMB7.4 million was offset by share premium after our successful listing, and the balance for the Period was nil.

### CASH, BANK DEPOSITS AND RESTRICTED CAPITAL

As at 30 June 2014, the Group's balance of cash and bank deposits increased by 445.5% from approximately RMB147.1 million for 2013 to the equivalent of approximately RMB802.5 million. The increase in balance of cash and bank deposits was resulted from the listing capital inflow of approximately RMB710 million.

### TRADE AND OTHER PAYABLES

Trade and other payables primarily comprise items such as payables to sub-contractors of our engineering services, receipts on behalf of residents for residential communities under consultancy services arrangement, deposits received and other tax payable, the specific analysis of which is as follows:

- 1) Trade payables decreased from approximately RMB20.8 million as at 31 December 2013 to approximately RMB14.4 million as at 30 June 2014. This was primarily due to the reduction in the number of external works undertaken during the Period, which thus resulted in the decrease in payables to sub-contractors of engineering services.

## MANAGEMENT DISCUSSION AND ANALYSIS

2) Other payables and accruals decreased from approximately RMB93.3 million as at 31 December 2013 to approximately RMB64.3 million as at 30 June 2014, primarily attributable to:

- (i) the progressive payments of listing expenses made by the Company based on the progress of listing. The outstanding listing expenses for the Period amounted to RMB8.7 million, representing a decrease of RMB12.3 million as compared to 31 December 2013;
- (ii) the recognition of advances for construction in revenue based on construction progress. Advances from customers decreased by RMB8.4 million as compared to 31 December 2013, due to the strategic transformation experienced by our engineering installation business;
- (iii) the timely payment of tax made strictly pursuant to the requirements of tax laws during the Period. The outstanding tax payables for the Period decreased by RMB4.2 million as compared to 31 December 2013.

### PAID-IN CAPITAL

On 30 June 2014, the Company completed the initial public offering and the shares of the Company were duly listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for trading. An aggregate amount of approximately RMB710 million has been raised. Upon completion of the initial public offering, the total number of issued shares of the Company (the “Shares”) has increased to 1,000,000,000.

### CASH POSITION AND GEARING

On 30 June 2014, the Group’s total cash (including cash and restricted bank deposit and bank deposit balances) have increased by 445.5% from RMB147.1 million as at 31 December 2013 to approximately equivalent to RMB802.5 million. The increases of total cash for the Period primarily resulted from the net proceeds raised by the initial public offering amounting to RMB710 million. As at 30 June 2014 and 31 December 2013, the amount of the Group’s total cash was significantly larger than the amount of interest-bearing borrowings.

The financial position continued to be stable. As at 30 June 2014, the current ratio (current asset/current liabilities) of the Group was 4.3, which was a large increased from the 1.2 as at 31 December 2013. The liquidity and security of the asset significantly increased following the successful listing.

## MANAGEMENT DISCUSSION AND ANALYSIS



### CURRENCY RISK

The Group principally focused on the operation in PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2014, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, excluding the employees for communities under commission basis, the Group had approximately 1,050 employees (30 June 2013: approximately 770 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees) and a discretionary bonus program.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### BUSINESS OVERVIEW

The spin-off and separate listing of Colour Life on the Main Board of the Stock Exchange was successfully completed on 30 June 2014. After deducting the listing expenses, total net proceeds of approximately RMB710 million were raised on the first day of the listing.

The Group is one of the leading property management companies in the PRC and was named as China's Largest Community Services Operator in terms of the number of residential units managed as at 31 December 2012 by China Index Academy in 2013; based on the area of residential communities which the Group was contracted to manage as at 31 December 2013, the Group was named as the 2014 No.1 of China property management in terms of total area of residential properties by China Index Academy in 2014. The Group has three main business segments:

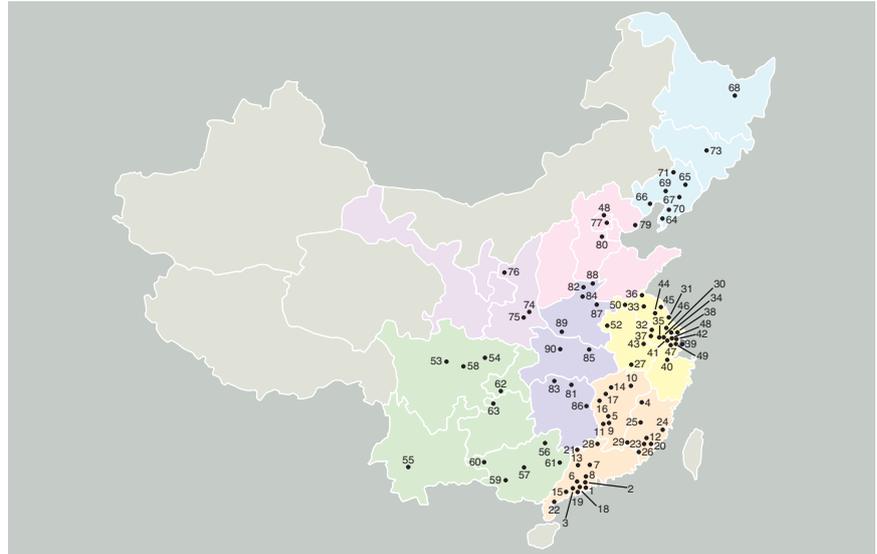
- *property management services*, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which including mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) consultancy services provided for regional property companies, such as standardised operation, cost control and consultation;
- *engineering services*, which primarily include: (i) equipment installation services, (ii) repair and maintenance services, and (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and
- *community leasing, sales and other services*, which primarily include: (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Property Management Services

## GEOGRAPHICAL PRESENCE

As at 30 June 2014, the cities in which residential communities the Group managed or provided consultancy services to were located as follows:



| ■ Southern China | ■ Eastern China | ■ Southwestern China | ■ Northeastern China | ■ Northwestern China |
|------------------|-----------------|----------------------|----------------------|----------------------|
| 1. Shenzhen      | 30. Changzhou   | 53. Chengdu          | 64. Gaizhou          | 74. Weinan           |
| 2. Dongguan      | 31. Dongtai     | 54. Liuzhou          | 65. Harbin           | 75. Xi'an            |
| 3. Foshan        | 32. Gaoyou      | 55. Dali             | 66. Huludao          | 76. Yinchuan         |
| 4. Fuzhou        | 33. Huai'an     | 56. Guilin           | 67. Shenyang         |                      |
| 5. Ganzhou       | 34. Jiangyin    | 57. Nanning          | 68. Shuangyashan     | ■ Northern China     |
| 6. Guangzhou     | 35. Jurong      | 58. Zigong           | 69. Tieling          | 77. Beijing          |
| 7. Heyuan        | 36. Lianyungang | 59. Chongzuo         | 70. Yingkou          | 78. Chengde          |
| 8. Huizhou       | 37. Nanjing     | 60. Baise            | 71. Diaobingshan     | 79. Qinhuangdao      |
| 9. Jingdezhen    | 38. Nantong     | 61. Guigang          | 72. Benxi            | 80. Tianjin          |
| 10. Nanchang     | 39. Shanghai    | 62. Zunyi            | 73. Changchun        |                      |
| 11. Nankang      | 40. Shaoxing    | 63. Guiyang          |                      | ■ Central China      |
| 12. Putian       | 41. Suzhou      |                      |                      | 81. Changsha         |
| 13. Qingyuan     | 42. Wuxi        |                      |                      | 82. Xinxiang         |
| 14. Shangrao     | 43. Wuhu        |                      |                      | 83. Yiyang           |
| 15. Yangjiang    | 44. Xinghua     |                      |                      | 84. Zhengzhou        |
| 16. Yichun       | 45. Yancheng    |                      |                      | 85. Wuhan            |
| 17. Yingtan      | 46. Yangzhou    |                      |                      | 86. Chenzhou         |
| 18. Zhongshan    | 47. Yixing      |                      |                      | 87. Kaifeng          |
| 19. Zhuhai       | 48. Changshu    |                      |                      | 88. Anyang           |
| 20. Xiamen       | 49. Kunshan     |                      |                      | 89. Xiangyang        |
| 21. Shaoguan     | 50. Xuzhou      |                      |                      | 90. Jingmen          |
| 22. Heshan       | 51. Hangzhou    |                      |                      |                      |
| 23. Nan'an       | 52. Chuzhou     |                      |                      |                      |
| 24. Quanzhou     |                 |                      |                      |                      |
| 25. Shanming     |                 |                      |                      |                      |
| 26. Zhangzhou    |                 |                      |                      |                      |
| 27. Huangmei     |                 |                      |                      |                      |
| 28. Nanxiong     |                 |                      |                      |                      |
| 29. Longyan      |                 |                      |                      |                      |

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's total contracted GFA had grown continuously during the Period. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed or provided consultancy services to in different regions in the PRC as at the dates indicated below:

|  | Six months ended 30 June          |        |  |        |                                   |        |  |        |
|--|-----------------------------------|--------|--|--------|-----------------------------------|--------|--|--------|
|  | 2014                              |        |  |        | 2013                              |        |  |        |
|  | Managed by the Group              |        | Under the Group's consultancy service arrangements |        | Managed by the Group              |        | Under the Group's consultancy service arrangements |        |
|  | Total contracted GFA ('000 sq.m.) | Number | Total contracted GFA ('000 sq.m.)                  | Number | Total contracted GFA ('000 sq.m.) | Number | Total contracted GFA ('000 sq.m.)                  | Number |
| Shenzhen   | 4,730                             | 100    | 747  | 19     | 4,715                             | 99     | 749  | 19     |
| Southern China (excluding Shenzhen) <sup>(1)</sup> | 21,505                            | 123    | 15,315   | 128    | 18,087                            | 111    | 6,017  | 41     |
| Eastern China <sup>(2)</sup>                       | 30,253                            | 180    | 37,773   | 220    | 17,147                            | 128    | 13,908   | 64     |
| Southwestern China <sup>(3)</sup>                  | 9,093                             | 48     | 9,782  | 35     | 8,492                             | 45     | 3,253  | 27     |
| Northeastern China <sup>(4)</sup>                  | 2,902                             | 20     | 4,607  | 27     | 1,995                             | 12     | 2,200  | 4      |
| Northwestern China <sup>(5)</sup>                  | 6,513                             | 27     | 107  | 2      | 5,456                             | 17     | –  | –      |
| Northern China <sup>(6)</sup>                      | 6,711                             | 18     | 946  | 10     | 6,745                             | 20     | 946  | 10     |
| Central China <sup>(7)</sup>                       | 7,494                             | 54     | 3,315  | 26     | 648                               | 4      | 1,175  | 14     |
| Subtotal   | 89,201                            | 570    | 72,592   | 467    | 63,285                            | 436    | 28,248   | 179    |
| Pure commercial properties                         | –                                 | –      | –  | –      | 697                               | 14     | 42   | 1      |
| Total  | 89,201                            | 570    | 72,592   | 467    | 63,982                            | 450    | 28,290   | 180    |

### Notes:

- (1) Including Dongguan, Yangjiang, Xiamen, Shaoguan, Heshan, Nan'an, Quanzhou, Sanming, Zhangzhou, Huangmei, Nanxiong, Longyan, Foshan, Fuzhou, Ganzhou, Guangzhou, Heyuan, Huizhou, Jingdezhen, Nanchang, Nankang, Putian, Qingyuan, Shangrao, Yangjiang, Yichun, Yingtan, Zhongshan and Zhuhai as at 30 June 2014.
- (2) Including Changshu, Kunshan, Xuzhou, Hangzhou, Chuzhou, Changzhou, Dongtai, Gaoyou, Huai'an, Jiangyin, Jurong, Lianyungang, Nanjing, Nantong, Shanghai, Shaoxing, Suzhou, Wuxi, Wuhu, Xinghua, Yancheng, Yangzhou and Yixing as at 30 June 2014.
- (3) Including Chengdu, Dali, Guilin, Nanning, Zigong, Liuzhou, Baise, Chongzuo, Guigang, Guiyang and Zunyi as at 30 June 2014.
- (4) Including Gaizhou, Harbin, Huludao, Shenyang, Shuangyashan, Diaobingshan, Changchun, Benxi, Tieling and Yingkou as at 30 June 2014.
- (5) Including Yinchuan, Weinan and Xi'an as at 30 June 2014.
- (6) Including Beijing, Chengde, Qinhuangdao and Tianjin as at 30 June 2014.
- (7) Including Wuhan, Xiangyang, Jingmen, Anyang, Kaifeng, Chenzhou, Changsha, Xinxiang, Yiyang and Zhengzhou as at 30 June 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, the Group had grown its coverage to 90 cities in the PRC where the Group was contracted to manage 570 residential communities with an aggregate contracted GFA of approximately 89.2 million sq.m. and entered into consultancy services contracts with 467 residential communities with an aggregate contracted GFA of approximately 72.6 million sq.m. The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies. The table below sets forth the movement of the total contracted GFA and the number of residential communities we managed or provided consultancy services to during the Period:

|                                   | Six months ended 30 June          |                                   |  |                                   |                                   |                                   |  |                                   |
|-----------------------------------|-----------------------------------|-----------------------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|--|-----------------------------------|
|                                   | 2014                              |                                   |  |                                   | 2013                              |                                   |  |                                   |
|                                   | Managed by the Group              |                                   | Under the Group's consultancy service arrangements |                                   | Managed by the Group              |                                   | Under the Group's consultancy service arrangements |                                   |
|                                   | Total contracted GFA ('000 sq.m.) | Number of residential communities | Total contracted GFA ('000 sq.m.)                  | Number of residential communities | Total contracted GFA ('000 sq.m.) | Number of residential communities | Total contracted GFA ('000 sq.m.)                  | Number of residential communities |
| As at the beginning of the Period | 63,285                            | 436                               | 28,248   | 179                               | 32,337                            | 278                               | 1,691  | 23                                |
| New engagements <sup>(1)</sup>    | 10,750                            | 54                                | 46,963   | 306                               | 21,369                            | 80                                | 26,557   | 156                               |
| Acquisitions                      | 16,907                            | 97                                | -  | -                                 | 11,985                            | 100                               | -  | -                                 |
| Terminations <sup>(2)</sup>       | (1,741)                           | (17)                              | (2,619)  | (18)                              | (2,406)                           | (22)                              | -  | -                                 |
| As at the end of the Period       | 89,201                            | 570                               | 72,592   | 467                               | 63,285                            | 436                               | 28,248   | 179                               |

### Notes:

- (1) In relation to residential communities we managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to residential communities we provided consultancy services to, new engagements include our entering into of consultancy services agreements with regional property management companies.
- (2) Including the contracted GFA and the number of residential communities we ceased to manage primarily due to non-renewal of certain property management contracts for commercial reasons.

## MANAGEMENT DISCUSSION AND ANALYSIS

### NATURE OF THE PROPERTY DEVELOPERS

The properties the Group manages or provides consultancy services to are predominantly constructed by independent property developers other than Fantasia and its subsidiaries (collectively, the “**Fantasia Group**”), the controlling shareholder of the Group. The table below sets forth a breakdown of the contracted GFA and the number of properties we managed or provided consultancy services to by independent property developers and Fantasia Group as at the dates indicated:

|   | Six months ended 30 June          |                           |                      |                                 |                                   |                           |                      |                                 |
|---|-----------------------------------|---------------------------|----------------------|---------------------------------|-----------------------------------|---------------------------|----------------------|---------------------------------|
|   | 2014                              |                           |                      |                                 | 2013                              |                           |                      |                                 |
|   | Total contracted GFA ('000 sq.m.) | % of total contracted GFA | Number of properties | % of total number of properties | Total contracted GFA ('000 sq.m.) | % of total contracted GFA | Number of properties | % of total number of properties |
| Properties constructed by independent property developers other than the Fantasia Group | 154,254                           | 95.3%                     | 1,007                | 97.1%                           | 84,772                            | 91.9%                     | 598                  | 94.9%                           |
| Properties constructed by the Fantasia Group  | 7,538                             | 4.7%                      | 30                   | 2.9%                            | 7,500                             | 8.1%                      | 32                   | 5.1%                            |
| Total   | 161,792                           | 100%                      | 1,037                | 100%                            | 92,272                            | 100%                      | 630                  | 100%                            |

### SCOPE OF SERVICES FOR PROPERTY MANAGEMENT SERVICES

The Group focuses on providing: (i) property management services such as security, cleaning, gardening, repair and maintenance provided to residential communities, and (ii) pre-sale services to property developers, including cleaning, security and maintenance of the pre-sale display units.

The property management services the Group provides can be grouped into the following categories:

#### Security services

The Group endeavors to provide high-quality security services to ensure that the communities it manages are well protected. The Group seeks to enhance the quality of its security services through equipment upgrade. Daily security services provided by the Group include patrolling, access control, visitor handling and emergency handling. The Group may delegate certain security services to third-party sub-contractors.

#### Cleaning and gardening services

The Group provides general cleaning, pest control and landscape maintenance services to communities managed by it through its own specialised subsidiaries or third-party sub-contractors.

#### Repair and maintenance services

The Group provides repair and maintenance services to certain communities it manages. In particular, the Group is generally responsible for the maintenance of: (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm system; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generator, water pumps and water tank. The Group provides such services through its specialised subsidiaries or third-party sub-contractors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COLOUR LIFE PROPERTY MANAGEMENT SERVICE MODEL

As at 30 June 2014, the Group employed over 9,000 on-site personnel to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities we managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

|  | Six months ended 30 June 2014                  |  | Year ended 31 December 2013                    |  |
|--|--|--|--|--|
|  | Property management range for residential area |  | Property management range for residential area |  |
|  | Under commission basis (RMB/sq.m./month)       | Under lump sum basis (RMB/sq.m./month) | Under commission basis (RMB/sq.m./month)       | Under lump sum basis (RMB/sq.m./month) |
| Shenzhen   | 0.5-8.8  | 3.5                                    | 0.5-8.8  | 3.5                                    |
| Southern China (excluding Shenzhen) <sup>(2)</sup> | 0.6-6  | –                                      | 0.6-6  | –                                      |
| Eastern China <sup>(3)</sup>                       | 0.1-2.9  | 1.2                                    | 0.1-2.9  | 1.2                                    |
| Southwestern China <sup>(4)</sup>                  | 0.55-5.68                                      | –                                      | 0.55-5.68                                      | –                                      |
| Northeastern China <sup>(5)</sup>                  | 0.7-1.5  | –                                      | 0.7-1.5  | –                                      |
| Northwestern China <sup>(6)</sup>                  | 0.8-3.95                                       | –                                      | 0.8-3.95                                       | –                                      |
| Northern China <sup>(7)</sup>                      | 0.4-2.8  | –                                      | 0.4-2.8  | –                                      |
| Central China <sup>(8)</sup>                       | 0.5-2.48                                       | –                                      | 1.38   | –                                      |

#### Notes:

- (1) We may have different fee schedules for commercial and office space and carparks.
- (2) Including Dongguan, Yangjiang, Xiamen, Shaoguan, Heshan, Nan'an, Quanzhou, Sanming, Zhangzhou, Huangmei, Nanxiong, Longyan, Foshan, Fuzhou, Ganzhou, Guangzhou, Heyuan, Huizhou, Jingdezhen, Nanchang, Nankang, Putian, Qingyuan, Shangrao, Yangjiang, Yichun, Yingtan, Zhongshan and Zhuhai as at 30 June 2014.
- (3) Including Changshu, Kunshan, Xuzhou, Hangzhou, Chuzhou, Changzhou, Dongtai, Gaoyou, Huai'an, Jiangyin, Jurong, Lianyungang, Nanjing, Nantong, Shanghai, Shaoxing, Suzhou, Wuxi, Wuhu, Xinghua, Yancheng, Yangzhou and Yixing as at 30 June 2014.
- (4) Including Chengdu, Dali, Guilin, Nanning, Zigong, Liuzhou, Baise, Chongzuo, Guigang, Guiyang and Zunyi as at 30 June 2014.
- (5) Including Gaizhou, Harbin, Huludao, Shenyang, Shuangyashan, Diaobingshan, Changchun, Benxi, Tieling and Yingkou as at 30 June 2014.
- (6) Including Yinchuan, Weinan and Xi'an as at 30 June 2014.
- (7) Including Beijing, Chengde, Qinhuangdao and Tianjin as at 30 June 2014.
- (8) Including Wuhan, Xiangyang, Jingmen, Anyang, Kaifeng, Chenzhou, Changsha, Xixiang, Yiyang and Zhengzhou as at 30 June 2014.

During the Period, the labour cost of the property services industry continued to increase. In order to tackle the challenges posted by such increase and further enhance the efficiency of the property management services, the Group has implemented the information-technology-based automation and equipment upgrade in some of the projects under its management. At the same time, the Group also launched its Caizhiyun website

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONSULTANCY SERVICES

and its same mobile application with the aim to provide convenience in remittance of fees, requesting repair and maintenance services and submitting complaints on services which strengthened the interactions and communications between the Group and property owners of residential communities. The Group believes that this will further boost its capability in catering to demands for community services in an era of mobile network, facilitate replication of its management model applicable to communities, and seamlessly integrate its online and offline businesses, provide strong assurance to its centralised business model of and the quality of its property management service, thereby further sharpening its competitive edge in property management.

In 2014, the Group will continue to focus on improving the quality of its property management, further upgrading its property management model in the communities under its management, launch more contents which facilitate interaction between residents on its online platform, thereby strengthening the brand effect of Colour Life community service platform. The Group will further enhance its strategic plan of nationwide deployment, enabling better economy of scale of the online and offline community service platforms. The Group will also continue to build up and enhance its capability in integrating resources in the commercial circles surrounding its communities, attracting more vendors to provide more goods and services via the Caizhiyun platform to the residents in the communities under its management, thereby strengthening customer cohesion in its service platform and developing the Group as a leading operator of community service platforms.

With a view to expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its community leasing, sales and other services, the Group has selectively entered into consultancy services contracts with regional property management companies.

Under such arrangements, the property management companies are contracted to provide property management services at the relevant communities, and the Group provides consultation and advice to these regional property management companies such that they can leverage the Group's experience and platform to improve the standard of their own operations and control their operational costs in their service provision. In addition, the Group provides community leasing, sales and other services at the relevant communities in accordance with the contracts, which in the future may generate additional revenue for the Group.

As at 30 June 2014, the Group was contracted to provide consultancy services to 467 residential communities in the PRC. For the six months ended 30 June 2014, income generated from the Group's consultancy services was RMB10.2 million (2013: nil), or 10.7% of its total income for the Period (2013: nil). The gross profit margin for consultancy services was 100%.

The relevant contracts typically have terms of at least two years. The Group provides consultation and advice to these regional property management companies on various aspects of their operations, such as property management, engineering, quality control and human resources management. In addition, the Group can provide community leasing, sales and other services at the relevant communities under its own brand name in accordance with the contracts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Engineering Services

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent the Fantasia Group) and the communities the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its subsidiary, Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. (“Shenzhen Kaiyuan Tongji”), which specialises in engineering services. The Group’s engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services and energy-saving equipment installation services), (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Group’s equipment leasing program. The table below sets forth a breakdown of revenue from our engineering services segment by service type:

In order to enhance the management efficiency in relevant communities and in turn to achieve the purpose of reducing the service costs of property management, the Group is committed to provide installation of automation equipments for communities.

#### Automation and other hardware equipment installation services

The Group provides automation and other hardware equipment installation services to property developers, in accordance with their requirements, aiming to diversify the Group’s revenue sources and develop business relationships with property developers which have engaged the Group or may subsequently engage the Group to provide property management services when the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system.

The Group assists residential communities it manages or provides services to in realising energy savings by replacing their existing hardware with energy-saving equipment, such as LED lights, motion-sensor lights and energy efficient elevators.

#### Community utility facilities repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further deepening of Colour Life management model of the Group, the Group has promoted an equipment management model to reduce the occurrence of major failures of the abovementioned hardware and equipment that requires large-scale repairs through periodically conducting regular maintenance in communities it manages. On 30 June 2014, the Group was engaged to provide repair and maintenance services to 597 residential communities it manages or provides consultancy services to.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to. These equipment include carpark security systems, building access systems and remote surveillance cameras. These equipment were invested by Shenzhen Kaiyuan Tongji and provided for the use of each residential community through the Group's equipment leasing program. As at 30 June 2014, the Group had completed automation and other equipment upgrades at approximately 240 residential communities.

Leveraging the Group's understanding of the demands of residents living at the residential communities it manages or provides consultancy services to, the Group has strategically focused on developing a service platform for its community leasing, sales and other services through which residents can connect with local vendors for community leasing, sales and other services.

Currently, the Group primarily offers community leasing, sales and other services through an offline service platform. Residents may place orders directly through the Group's on-site management offices or its toll free service hotline. In addition, residents living at the residential communities to which the Group provides online purchase assistance through the Colour Life website may place orders online. The Group started rolling out its online purchase assistance platform at the end of 2012 and operated the online service platform through the Colour Life website.

The Group's community leasing, sales and other services primarily include (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

### Common area rental assistance

Physical advertising spaces on a residential community, such as those on elevator walls or in common spaces, are the properties of the property developer or property owners. The Group assists them to lease out such spaces and receive a commission in return. The Group also provides such services with regard to extra space at a residential community, which is rented out as storage space.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Community Leasing, Sales and Other Services

#### Purchase assistance

Depending on the product or service types, residents may place orders at the Group's on-site management offices, through a toll free service hotline, or through the Colour Life website that covered 663 residential communities as at 30 June 2014. Typically, for purchases of rice, bottled water and cooking oil, residents place orders at the Group's on-site management office or through its toll free service hotline. The Group's on-site management offices maintain a level of inventory of bottled water to meet residents' immediate needs. Based on the Group's orders, the bottled water, cooking oil and rice suppliers will make deliveries to the residential communities the Group manages or provides consultancy services to. The payments are normally settled upon delivery and the Group either receives a percentage of the sales price or a fixed fee as referral fees from the suppliers. In addition, the Group also purchases and maintains its own inventory of fruits, which the Group sells to the residents living in the communities.

#### Residential and retail units rental and sales assistance

When a property owner seeks rental assistance from the Group, the Group refers the case to an independent third-party property agent, who rents the unit from the property owner as the primary tenant for a fixed term, and sub-leases the unit to an appropriate tenant either at a premium or for rent for the period that covers the rent-free period enjoyed by the primary tenant.

#### Community operational platform business

With the growth of our total contracted GFA as well as the number of residential communities we manage or provide consultancy services to, we see potential demand for local products and services among our large number of residents and property owners. These residents and property owners traditionally rely on sifting through a large amount of information primarily through offline channels to find relevant offerings.

# DISCLOSURE OF INTERESTS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long and short positions in the Shares and underlying Shares

| Name of Director | Capacity                                    | Number of Shares | Approximate percentage of shareholding interest |
|------------------|---|------------------|---|
| Mr. Tang Xuebin  | Interest of controlled corporation (Note 2) | 215,981,477 (L)  | 21.60%  |
| Mr. Zeng Liqing  | Beneficial owner (Note 3)                   | 4,185,001 (L)    | 0.42%   |
|                  | Beneficial owner (Note 3)                   | 4,185,001 (S)    | 0.42%   |

#### Notes:

- (1) The letter "L" denotes long positions in the Shares and the letter "S" denotes short positions in the Shares.
- (2) Mr. Tang Xuebin is interested in 43.34% shares in Colour Success Limited ("Colour Success") which in turn wholly-owned Splendid Fortune Enterprise Limited ("Splendid Fortune"). Mr. Tang Xuebin is therefore deemed to be interested in the Shares held by Splendid Fortune for the purpose of Part XV of the SFO.
- (3) Mr. Zeng Liqing is the beneficial owner of 4,185,001 Shares which are held on trust by First Shanghai Securities Limited ("First Shanghai") on his behalf. Pursuant to a share subscription agreement dated 29 May 2013 entered into between First Shanghai and the Company in relation to the subscription of the Shares by First Shanghai on behalf of certain investors including Mr. Zeng Liqing (the "Share Subscription Agreement"), Mr. Zeng granted a right of first refusal to Fantasia that if at any time after the expiry of the lock-up period, being the 180<sup>th</sup> day after the listing date of the Company, the investors, including Mr. Zeng, propose to sell, assign, transfer, pledge, hypothecate, create or permit to subsist any encumbrance or otherwise encumber or dispose of in any way, all or any part of any direct or indirect interest of any of the Shares held by them, Fantasia would have a right of first refusal on these Shares (the "Right of First Refusal").

## DISCLOSURE OF INTERESTS

### (ii) Long positions in shares of the associated corporations of the Company

| Name of Director | Name of associated corporation   | Capacity                           | Equity interest/<br>number of<br>underlying<br>shares | Approximate<br>percentage of<br>equity interest/<br>shareholding<br>interest |
|------------------|--|------------------------------------|---|--|
| Mr. Pan Jun      | Shenzhen Caizhiyun Network Technology Co., Ltd.<br>("Caizhiyun Network")<br>(Note 1) | Beneficial owner                   | RMB7,000,000  | 70%  |
|                  | Fantasy Pearl International Limited<br>("Fantasy Pearl") (Note 2)                    | Interest of controlled corporation | 20  | 20%  |
|                  | Fantasia (Note 3)  | Beneficial owner                   | 9,980,000   | 0.17%  |
| Mr. Tang Xuebin  | Caizhiyun Network (Note 1)   | Beneficial owner                   | RMB3,000,000  | 30%  |
|                  | Fantasia (Note 3)  | Beneficial owner                   | 1,640,000   | 0.03%  |
| Mr. Lam Kam Tong | Fantasia (Note 3)  | Beneficial owner                   | 2,770,000   | 0.05%  |
| Mr. Dong Dong    | Fantasia (Note 3)  | Beneficial owner                   | 560,000   | 0.01%  |

#### Notes:

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

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interest or short position in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) or institutions have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

#### Long positions in the Shares and underlying Shares

| Name of Shareholder | Capacity   | Number of Shares/underlying Shares | Approximate percentage of shareholding interest |
|---------------------|--|------------------------------------|---|
| Fantasia            | Beneficial owner (Notes 1 and 4)                   | 534,018,523                        | 53.40%  |
| Fantasy Pearl       | Interest of controlled corporation (Notes 2 and 4) | 534,018,523                        | 53.40%  |
| Ice Apex            | Interest of controlled corporation (Notes 3 and 4) | 534,018,523                        | 53.40%  |
| Ms. Zeng Jie, Baby  | Interest of controlled corporation (Notes 3 and 4) | 534,018,523                        | 53.40%  |
| Splendid Fortune    | Beneficial owner (Note 5)                          | 215,981,477                        | 21.60%  |
| Colour Success      | Interest of controlled corporation (Note 5)        | 215,981,477                        | 21.60%  |

#### Notes:

- (1) Fantasia is owned as to 57.16% by Fantasy Pearl, 15.00% by TCL (HK) and 27.84% by the public.
- (2) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the Shares held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (3) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng is deemed to be interested in the Shares held by Ice Apex for the purpose of Part XV of the SFO.
- (4) These include 30,061,741 Shares which are the subject of the two share subscription agreements entered into with First Shanghai and China Bowen Capital Management Co., Ltd. in which Fantasia has the Right of First Refusal.
- (5) Splendid Fortune is wholly owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively.

Save as disclosed above, as at 30 June 2014, no other Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance.

The Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

## CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Shares were listed on the Stock Exchange on 30 June 2014 (the "**Listing Date**"). The Board is of the view that since the Listing Date up to the date of this report, the Company has complied with all the code provisions set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "**Securities Dealing Code**"). The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code during the period from the Listing Date to the date of this report and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period.

## AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, comprising Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Junda, while Mr. Tam Chun Hung, Anthony is the chairman of the committee. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2014. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2014 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 Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference in compliance with the Corporate Governance Code. The remuneration committee currently comprises an executive Director, Mr. Tang Xuebin, and three independent non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Junda, while Dr. Liao Jianwen is the chairman of the remuneration committee. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Board regarding the Company's policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company.

### NOMINATION COMMITTEE

The Company has established a nomination committee with specific written terms of reference in compliance with the Corporate Governance Code. The nomination committee currently comprises an executive Director, Mr. Tang Xuebin, a non-executive Director, Mr. Pan Jun, and three independent non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Junda, while Mr. Pan Jun is the chairman of the committee. The primary function of the nomination committee is to make recommendations to the Board on the appointment of members of the Board.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") by the written resolutions of the shareholders of the Company passed on 11 June 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

As at the date of this report, no option had been granted or agreed to be granted under the Share Option Scheme.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2014.

### UPDATE ON DIRECTORS' INFORMATION

Below are updates on the Directors' information required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules:

- 1) Dr. Liao Jianwen was appointed as an independent non-executive director of China Mengniu Dairy Company Limited (Stock code: 2319) and 361 Degrees International Limited (Stock code: 1361) (the shares of both companies are listed on the Stock Exchange) on 26 March 2014 and 1 June 2014 respectively.
- 2) Mr. Tam Chun Hung, Anthony ceased to be the Assistant Governor and District Treasurer of District 3450 of Rotary International.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF COLOUR LIFE SERVICES GROUP CO., LIMITED

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Colour Life Services Group Co., Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 32 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF 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 of these condensed consolidated financial statements consists of making enquiries, 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.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the six-month period ended 30 June 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity.”

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

13 August 2014

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

|   | NOTES | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2014<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) |
| Revenue   |       | 163,439                        | 109,710                        |
| Cost of sales and services  |       | (55,453)                       | (50,501)                       |
| Gross profit  |       | 107,986                        | 59,209                         |
| Other gains and losses  | 4     | (3,572)                        | (2,233)                        |
| Other income  | 4     | 2,536                          | 1,445                          |
| Selling and distribution expenses                                       |       | (1,397)                        | (1,547)                        |
| Administrative expenses   |       | (17,895)                       | (24,839)                       |
| Expenses recharged to residential communities<br>under commission basis |       | 10,174                         | 7,074                          |
| Finance costs   | 5     | (325)                          | (118)                          |
| Listing expenses  |       | (8,317)                        | (6,656)                        |
| Change in fair value of investment properties                           |       | 580                            | 81                             |
| Share of profits of an associate  |       | 31                             | 85                             |
| Share of profits of a joint venture                                     |       | 119                            | 401                            |
| Gain on disposal of subsidiaries  |       | –                              | 4                              |
| Profit before tax   |       | 89,920                         | 32,906                         |
| Income tax expense  | 6     | (24,584)                       | (10,259)                       |
| Profit and total comprehensive income for the period                    | 7     | 65,336                         | 22,647                         |
| Profit and total comprehensive income attributable to:                  |       |                                |                                |
| Owners of the Company   |       | 62,046                         | 20,155                         |
| Non-controlling interests   |       | 3,290                          | 2,492                          |
|   |       | 65,336                         | 22,647                         |
| Earnings per share (RMB cents)  | 9     |                                |                                |
| – Basic   |       | 8.31                           | 2.78                           |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

|  | NOTES | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|--|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                                |       |   |   |
| Property, plant and equipment                            | 10    | 33,345                                    | 23,513                                      |
| Intangible assets  |       | 20  | 624   |
| Investment properties                                    | 11    | 28,443                                    | 26,758                                      |
| Interest in an associate                                 |       | 778                                       | 1,107                                       |
| Interest in a joint venture                              |       | 687                                       | 568   |
| Goodwill   |       | 50,537                                    | 50,537                                      |
| Deferred tax assets                                      | 12    | 4,542                                     | 3,848                                       |
| Trade receivables  | 13    | 12,949                                    | 7,585                                       |
| Other receivables and prepayments                        | 13    | 5,547                                     | 5,334                                       |
| Deposits paid for potential acquisitions of subsidiaries | 14    | 59,180                                    | –   |
|  |       | 196,028                                   | 119,874                                     |
| <b>CURRENT ASSETS</b>                                    |       |   |   |
| Inventories  |       | 1,429                                     | 200   |
| Trade receivables  | 13    | 68,573                                    | 49,566                                      |
| Other receivables and prepayments                        | 13    | 43,666                                    | 43,339                                      |
| Payments on behalf of residents                          | 15    | 56,587                                    | 43,966                                      |
| Amounts due from customers for contract works            |       | 34,178                                    | 43,892                                      |
| Amount due from immediate holding company                | 21(a) | –   | 1   |
| Amounts due from fellow subsidiaries                     | 21(a) | –   | 32,153                                      |
| Amounts due from non-controlling shareholders            | 21(a) | –   | 13,063                                      |
| Amounts due from related parties                         | 21(a) | –   | 1,303                                       |
| Restricted bank deposits                                 |       | 1,003                                     | 997   |
| Bank balances and cash                                   |       | 801,529                                   | 146,113                                     |
|  |       | 1,006,965                                 | 374,593                                     |
| <b>CURRENT LIABILITIES</b>                               |       |   |   |
| Trade payables   | 16    | 14,400                                    | 20,851                                      |
| Other payables and accruals                              | 16    | 64,280                                    | 93,387                                      |
| Receipts on behalf of residents                          | 15    | 105,791                                   | 96,804                                      |
| Amounts due to customers for contract works              |       | 730                                       | 2,784                                       |
| Amounts due to fellow subsidiaries                       | 21(a) | –   | 36,719                                      |
| Amount due to immediate holding company                  | 21(a) | –   | 1,428                                       |
| Amounts due to non-controlling shareholders              | 21(a) | –   | 1,809                                       |
| Amount due to an associate                               | 21(a) | –   | 2,387                                       |
| Amount due to a joint venture                            | 21(a) | –   | 94  |
| Unsecured borrowings due within one year                 |       | 162                                       | 162   |
| Tax liabilities  |       | 49,164                                    | 45,910                                      |
|  |       | 234,527                                   | 302,335                                     |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

|  | NOTES | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|--|-------|---|---|
| <b>NET CURRENT ASSETS</b>                    |       | 772,438                                   | 72,258                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | 968,466                                   | 192,132                                     |
| <b>NON-CURRENT LIABILITIES</b>               |       |   |   |
| Deferred tax liabilities                     | 12    | 360                                       | 509   |
| Amount due to a non-controlling shareholder  | 21(a) | 1,265                                     | 1,091                                       |
| Unsecured borrowing due after one year       |       | 139                                       | 215   |
| Redeemable shares                            | 17    | –   | 6,614                                       |
|  |       | 1,764                                     | 8,429                                       |
|  |       | 966,702                                   | 183,703                                     |
| <b>CAPITAL AND RESERVES</b>                  |       |   |   |
| Share capital                                | 18    | 79,315                                    | 164   |
| Reserves                                     |       | 878,877                                   | 178,761                                     |
| <b>EQUITY ATTRIBUTABLE TO:</b>               |       |   |   |
| Owners of the Company                        |       | 958,192                                   | 178,925                                     |
| Non-controlling interests                    |       | 8,510                                     | 4,778                                       |
|  |       | 966,702                                   | 183,703                                     |

The condensed consolidated financial statements on pages 32 to 56 were approved and authorised for issue by the Board of Directors on 13 August 2014.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

|   | Attributable to owners of the Company |                          |  |  |                             |                  | Non-controlling interests<br>RMB'000 | Total<br>RMB'000 |
|---|---------------------------------------|--------------------------|--|--|-----------------------------|------------------|--------------------------------------|------------------|
|   | Share capital<br>RMB'000              | Share premium<br>RMB'000 | Statutory reserve<br>RMB'000<br>(Note (a)) | Other reserve<br>RMB'000<br>(Note (b)) | Retained profits<br>RMB'000 | Total<br>RMB'000 |                                      |                  |
| At 1 January 2013 (audited)                                   | 2                                     | –                        | 16,561                                     | (54,782)                               | 144,467                     | 106,248          | 1,937                                | 108,185          |
| Profit and total comprehensive income for the period          | –                                     | –                        | –  | –                                      | 20,155                      | 20,155           | 2,492                                | 22,647           |
| Acquisition of subsidiaries (Note (c))                        | –                                     | –                        | –  | –                                      | –                           | –                | 1,467                                | 1,467            |
| Capitalisation issue of shares                                | 156                                   | (156)                    | –  | –                                      | –                           | –                | –                                    | –                |
| Disposal of a subsidiary (Note (b)(i))                        | –                                     | –                        | –  | (9,125)                                | –                           | (9,125)          | –                                    | (9,125)          |
| Issue of new shares   | 6                                     | 37,058                   | –  | –                                      | –                           | 37,064           | –                                    | 37,064           |
| Recognition of equity-settled share-based payment             | –                                     | –                        | –  | 185                                    | –                           | 185              | –                                    | 185              |
| Transfer  | –                                     | –                        | 1,036                                      | –                                      | (1,036)                     | –                | –                                    | –                |
| At 30 June 2013 (unaudited)                                   | 164                                   | 36,902                   | 17,597                                     | (63,722)                               | 163,586                     | 154,527          | 5,896                                | 160,423          |
| At 1 January 2014 (audited)                                   | 164                                   | 36,902                   | 20,618                                     | (63,537)                               | 184,778                     | 178,925          | 4,778                                | 183,703          |
| Profit and total comprehensive income for the period          | –                                     | –                        | –  | –                                      | 62,046                      | 62,046           | 3,290                                | 65,336           |
| Issue of new shares pursuant to the global offering (Note 18) | 19,829                                | 729,698                  | –  | –                                      | –                           | 749,527          | –                                    | 749,527          |
| Expenses incurred in connection with issue of shares          | –                                     | (39,313)                 | –  | –                                      | –                           | (39,313)         | –                                    | (39,313)         |
| Capitalisation issue of shares (Note 18)                      | 58,929                                | (58,929)                 | –  | –                                      | –                           | –                | –                                    | –                |
| Capital contribution from non-controlling interests           | –                                     | –                        | –  | –                                      | –                           | –                | 442                                  | 442              |
| Transfer from redeemable shares                               | 393                                   | 6,439                    | –  | –                                      | –                           | 6,832            | –                                    | 6,832            |
| Recognition of equity-settled share-based payment             | –                                     | –                        | –  | 175                                    | –                           | 175              | –                                    | 175              |
| Transfer  | –                                     | –                        | 7,129                                      | –                                      | (7,129)                     | –                | –                                    | –                |
| At 30 June 2014 (unaudited)                                   | 79,315                                | 674,797                  | 27,747                                     | (63,362)                               | 239,695                     | 958,192          | 8,510                                | 966,702          |

## Notes:

- (a) The statutory reserve is non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the People's Republic of China ("PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.
- (b) The amount recorded in the other reserve was resulted from the following and those transactions with Fantasia Holdings Group Co., Limited ("Fantasia Holdings") and its subsidiaries as below:
- (i) During the six months ended 30 June 2013, the Group disposed of its entire equity interests in Ace Link Pacific Limited ("Ace Link"), together with its interests in Colour Life Service Group (HK) and Yahao Technology Development (Shenzhen) Co., Ltd. to Zhao Xing Holdings Limited, a fellow subsidiary of the Company, for a consideration of HK\$100 as part of the reorganisation and therefore, the loss on disposal of the entire interest in Ace Link amounting to RMB9,125,000, was recognised in equity.
- (c) During the six months ended 30 June 2013, the Group acquired entities from independent third parties at a cash consideration of RMB40,900,000. The fair value of identifiable net assets amounted to RMB5,944,000, resulting in net cash inflow of RMB6,524,000.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2014                     | 2013             |
|   | RMB'000                  | RMB'000          |
|   | (Unaudited)              | (Unaudited)      |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   |                          |                  |
| Cash generated from operations  | 44,689                   | 12,383           |
| Enterprise income tax ("EIT") paid  | (22,173)                 | (17,393)         |
|   | 22,516                   | (5,010)          |
| <b>INVESTING ACTIVITIES</b>   |                          |                  |
| Dividend received from associate  | 360                      | –                |
| Deposits paid on acquisition of subsidiaries  | (59,180)                 | –                |
| Acquisition of subsidiaries   | –                        | 6,524            |
| Proceeds on disposal of investment properties   | 2,258                    | –                |
| Repayment from non-controlling shareholders   | 13,063                   | –                |
| Repayment from fellow subsidiaries  | 29,377                   | 302,225          |
| Interest received   | 402                      | 234              |
| Investment income of financial assets classified as financial assets classified<br>as fair value through profit or loss ("FVTPL") | 195                      | 798              |
| Purchase of investment properties   | (3,363)                  | –                |
| Purchase of property, plant and equipment   | (12,893)                 | (6,123)          |
| Purchase of financial assets classified as FVTPL  | (84,500)                 | (143,975)        |
| Redemption of financial assets classified as FVTPL  | 84,500                   | 147,400          |
| Repayment of loan to a non-controlling shareholder of a subsidiary  | 6,000                    | –                |
| Advance of loan to a non-controlling shareholder of a subsidiary  | (6,000)                  | –                |
| Repayment of advance to a customer  | 1,502                    | 500              |
| Other investing cash flows  | (22,368)                 | 42,606           |
| <b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>   | <b>(50,647)</b>          | <b>350,189</b>   |
| <b>FINANCING ACTIVITIES</b>   |                          |                  |
| Interest paid   | (325)                    | (43)             |
| Listing expenses paid   | (39,313)                 | –                |
| Issue of shares/redeemable shares   | 749,527                  | 43,241           |
| Repayment to fellow subsidiaries  | (36,719)                 | (328,175)        |
| Repayment to associate  | (2,387)                  | –                |
| Repayment to non-controlling interests  | (1,809)                  | –                |
| Advance from non-controlling interests  | 174                      | –                |
| Repayments of bank borrowings   | (110)                    | –                |
| Capital contribution from non-controlling interests   | 442                      | –                |
| Other financing cash flows  | 14,067                   | (8,424)          |
| <b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>   | <b>683,547</b>           | <b>(293,401)</b> |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>655,416</b>           | <b>51,778</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>   | <b>146,113</b>           | <b>24,980</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b><br>represented by  |                          |                  |
| Bank balances and cash  | 801,529                  | 76,758           |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 March 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 30 June 2014.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s financial information for the three years ended 31 December 2013 incorporated in the prospectus issued by the Company in connection with the initial public offering of its shares dated 17 June 2014 (the “Prospectus”).

### Application of amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

|   |  |
|---|--|
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 27 | Investment Entities  |
| Amendments to HKAS 32                           | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to HKAS 36                           | Recoverable Amount Disclosures for Non-Financial Assets      |
| Amendments to HKAS 39                           | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21                              | Levies   |

The directors of the Company considered the application of the amendments and interpretation to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 3. SEGMENT INFORMATION

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

#### Six months ended 30 June 2014 (unaudited)

|  | Property<br>management<br>services<br>RMB'000 | Engineering<br>services<br>RMB'000 | Community<br>leasing, sales<br>and other<br>services<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000 |
|--|---|------------------------------------|---|------------------------|------------------|
| External revenue   | 95,599  | 35,087                             | 32,753  | –                      | 163,439          |
| Inter-segment revenue  | –   | 439                                | 90  | (529)                  | –                |
| Segment revenue  | 95,599  | 35,526                             | 32,843  | (529)                  | 163,439          |
| Segment profit   | 49,378  | 16,685                             | 30,340  |                        | 96,403           |
| Changes in fair value of<br>investment properties            |   |                                    |   |                        | 580              |
| Investment income of financial<br>assets classified as FVTPL |   |                                    |   |                        | 195              |
| Share of profit of an associate                              |   |                                    |   |                        | 31               |
| Share of profit of a joint venture                           |   |                                    |   |                        | 119              |
| Finance costs  |   |                                    |   |                        | (325)            |
| Bank interest income   |   |                                    |   |                        | 402              |
| Listing expense  |   |                                    |   |                        | (8,317)          |
| Other unallocated income                                     |   |                                    |   |                        | 832              |
| Profit before tax  |   |                                    |   |                        | 89,920           |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

**Six months ended 30 June 2013 (unaudited)**

|  | Property<br>management<br>services<br>RMB'000 | Engineering<br>services<br>RMB'000 | Community<br>leasing, sales<br>and other<br>services<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000 |
|--|---|------------------------------------|---|------------------------|------------------|
| External revenue   | 71,689  | 19,844                             | 18,177  | –                      | 109,710          |
| Inter-segment revenue  | –   | 1,871                              | 638   | (2,509)                | –                |
| Segment revenue  | 71,689  | 21,715                             | 18,815  | (2,509)                | 109,710          |
| Segment profit   | 19,046  | 2,170                              | 17,181  |                        | 38,397           |
| Changes in fair value of<br>investment properties            |   |                                    |   |                        | 81               |
| Investment income of financial<br>assets classified as FVTPL |   |                                    |   |                        | 798              |
| Share of profit of an associate                              |   |                                    |   |                        | 85               |
| Share of profit of a joint venture                           |   |                                    |   |                        | 401              |
| Finance costs  |   |                                    |   |                        | (118)            |
| Bank interest income   |   |                                    |   |                        | 234              |
| Rental income from investment<br>properties                  |   |                                    |   |                        | 22               |
| Gain on disposal of subsidiaries                             |   |                                    |   |                        | 4                |
| Listing expenses   |   |                                    |   |                        | (6,656)          |
| Other unallocated expenses                                   |   |                                    |   |                        | (342)            |
| Profit before tax  |   |                                    |   |                        | 32,906           |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 4. OTHER GAINS AND LOSSES AND OTHER INCOME

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2014                     | 2013        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| <b>Other gains and losses</b>  |                          |             |
| Bad debt recovery related to other receivables   | –                        | 575         |
| Impairment loss recognised on  |                          |             |
| – trade receivables  | (1,429)                  | –           |
| – invoices to be issued  | –                        | (785)       |
| Impairment loss recognised on payment on behalf of residents<br>under commission basis | (1,347)                  | (1,587)     |
| Others   | (796)                    | (436)       |
|  | (3,572)                  | (2,233)     |
| <b>Other income</b>  |                          |             |
| Bank interest income   | 402                      | 234         |
| Unconditional government grants (Note)   | 948                      | 198         |
| Imputed interest income on non-current interest-free trade receivables                 | 570                      | 193         |
| Investment income of financial assets classified as FVTPL                              | 195                      | 798         |
| Others   | 421                      | 22          |
|  | 2,536                    | 1,445       |

Note:

This relates to (i) government grants received from local government unconditionally in recognition of the eminence of excellence property management services, and (ii) unconditional grants for reimbursement towards tax payment on time.

### 5. FINANCE COSTS

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2014                     | 2013        |
|   | RMB'000                  | RMB'000     |
|   | (Unaudited)              | (Unaudited) |
| Interest on:  |                          |             |
| Amount due to a non-controlling shareholder of a subsidiary | 72                       | 65          |
| Bank borrowings   | 35                       | –           |
| Redeemable shares   | 218                      | 53          |
|   | 325                      | 118         |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 6. INCOME TAX EXPENSE

|                        | Six months ended 30 June |             |
|------------------------|--------------------------|-------------|
|                        | 2014                     | 2013        |
|                        | RMB'000                  | RMB'000     |
|                        | (Unaudited)              | (Unaudited) |
| Current tax            |                          |             |
| PRC EIT                | 25,427                   | 10,599      |
| Deferred tax (Note 12) |                          |             |
| Current period         | (843)                    | (340)       |
|                        | 24,584                   | 10,259      |

For the six months ended 30 June 2014, the relevant tax rates of the Group's subsidiaries in the PRC is 25% (six months ended 30 June 2013: 25%).

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statements of profit or loss and other comprehensive income as the Group had no assessable profits arising in Hong Kong for both periods.

### 7. PROFIT FOR THE PERIOD

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2014                     | 2013        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| Profit for the period has been arrived at after charging:        |                          |             |
| Staff cost   | 36,533                   | 37,030      |
| Amortisation of intangible assets (included in costs of sales)   | 604                      | –           |
| Depreciation for property, plant and equipment                   | 3,061                    | 2,142       |
| Costs of inventories recognised as cost of sales                 | 3,600                    | 2,176       |
| Minimum lease payments under operating leases in rented premises | 2,256                    | 4,407       |

### 8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2014                     | 2013        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| <b>Earnings</b>  |                          |             |
| Earnings for the purposes of basic and diluted earnings per share<br>(profit for the period attributable to owners of the Company) | 62,046                   | 20,155      |
| <b>Number of shares</b>  |                          |             |
| Weighted average number of ordinary shares for the purpose of basic and<br>diluted earnings per share (Note)                       | 746,458,270              | 723,822,902 |

Note:

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to owners of the Company of approximately RMB62,046,000 (2013: RMB20,155,000) and the weighted average number of ordinary shares in issue during the period ended 30 June 2014 of approximately 746,458,270 (2013: 723,822,902) on the assumption that the corporate reorganisation (details are set out in "History, Development and Reorganisation" of the Prospectus) and the capitalisation issue had been completed on 1 January 2013. No diluted earnings per share is presented for six months period ended 30 June 2014 as there was no potential ordinary share outstanding.

For the six months period ended 30 June 2013, the computation of diluted earnings per shares does not take into account the Company's outstanding redeemable shares since their exercise would result in an increase in earnings per share.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB8,330,000 and RMB4,563,000 (30 June 2013: RMB2,664,000 and RMB3,459,000) on property, plant and equipment to expand and upgrade its operating capacity and expand the automation equipment which related to the residential communities managed by the Group respectively. No significant disposal was noted for both periods.

### 11. INVESTMENT PROPERTIES

|   | Total<br>RMB'000 |
|---|------------------|
| At 1 January 2014 (audited)                             | 26,758           |
| Additions   | 3,363            |
| Net increase in fair value recognised in profit or loss | 580              |
| Disposal  | (2,258)          |
| At 30 June 2014 (unaudited)                             | 28,443           |

The fair values of the Group's investment properties at 30 June 2014 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has employed members of the Hong Kong Institute of Surveyors and its office is located on 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate.

The addition of investment properties during the six months ended 30 June 2014 represents the purchase of residential units, which are held under medium-term lease in the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 12. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current accounting period:

|                                   | Allowance<br>on<br>doubtful debt<br>RMB'000 | Temporary<br>difference on<br>long-term<br>receivables<br>and others<br>RMB'000 | Fair value<br>adjustments<br>of<br>investment<br>properties<br>RMB'000 | Intangible<br>assets<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------|---|---|--|---------------------------------|------------------|
| At 1 January 2014 (audited)       | 3,848                                       | (296)   | (57)   | (156)                           | 3,339            |
| Credit (charge) to profit or loss | 694   | 143   | (145)  | 151                             | 843              |
| At 30 June 2014 (unaudited)       | 4,542                                       | (153)   | (202)  | (5)                             | 4,182            |

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

|                          | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|--------------------------|---|---|
| Deferred tax assets      | 4,542                                     | 3,848                                       |
| Deferred tax liabilities | (360)                                     | (509)                                       |
|                          | 4,182                                     | 3,339                                       |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|   | Notes | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|---|-------|---|---|
| Trade receivables   |       | 71,193                                    | 41,868                                      |
| Retention receivables   |       | 697                                       | 1,656                                       |
| Invoice to be issued  | 1, 2  | 12,102                                    | 14,668                                      |
|   |       | 83,992                                    | 58,192                                      |
| Less: allowance for doubtful debts  |       | (2,470)                                   | (1,041)                                     |
| Total trade receivables   |       | 81,522                                    | 57,151                                      |
| Other receivables and prepayments:  |       |   |   |
| Deposits paid in relation to consultancy services arrangements  | 3     | 5,547                                     | 5,334                                       |
| Other deposits  |       | 4,919                                     | 6,993                                       |
| Advance to a customer   | 4     | 250                                       | 1,752                                       |
| Advances to staff   |       | 5,547                                     | 3,298                                       |
| Prepayment to suppliers   |       | 2,899                                     | 7,227                                       |
| Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co. Ltd ("Caizhijia") |       | 918                                       | 2,077                                       |
| Other prepayments   |       | 5,481                                     | 3,664                                       |
| Payment on behalf of residents under lump sum basis   | 5     | 5,203                                     | 5,366                                       |
| Payment on behalf of residents for residential communities under consultancy services arrangements  | 6     | 13,985                                    | 2,920                                       |
| Deferred listing expenses   |       | –   | 7,426                                       |
| Others  |       | 4,464                                     | 2,616                                       |
|   |       | 49,213                                    | 48,673                                      |
|   |       | 130,735                                   | 105,824                                     |
| Classified as:  |       |   |   |
| <b>Non-current</b>  |       |   |   |
| Trade receivables   | 7     | 12,949                                    | 7,585                                       |
| Other receivables and prepayments   | 8     | 5,547                                     | 5,334                                       |
|   |       | 18,496                                    | 12,919                                      |
| <b>Current</b>  |       |   |   |
| Trade receivables   |       | 68,573                                    | 49,566                                      |
| Other receivables and prepayments   |       | 43,666                                    | 43,339                                      |
|   |       | 112,239                                   | 92,905                                      |
|   |       | 130,735                                   | 105,824                                     |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Note:

1. For the customers of installation of energy-saving lighting systems, of which they are mainly the residential communities managed by the Group, the Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-months period. The unbilled installation revenue is discounted at an effective interest rate of 8.3% per annum for the six months ended 30 June 2014. Upon meeting the revenue recognition criteria, installation revenue/agency fee income recognised prior to the issuance of invoice is recognised as "invoice to be issued" in the condensed consolidated statement of financial position.
2. The Group entered into agency service agreement for providing rental information to Caizhijia, an independent third party. According to the agreement entered into between the Group and Caizhijia, the agency services provided by the Group to Caizhijia in each calendar month will be determined and finalised between both parties at the end of each calendar month, and the Company will bill the agency fee payable by Caizhijia in six equal installments from July to December of the following year. In addition, the Group also entered into an agreement to allow Caizhijia to use its online rental information platform. The Group will bill Caizhijia twelve months after the end of each reporting period on the trade receivables in relation to the usage of online rental information platform by Caizhijia. Upon meeting the revenue recognition criteria, agency fee and online platform usage fee income recognised prior to issuance of invoice is recognised in the condensed consolidated statement of financial position as invoice to be issued.
3. The balance represented the present value of the RMB6,000,000 deposit paid in relation to the consultancy service arrangements entered with a property management company. The deposit will be refunded to the Group in 2016, and the balance is recorded as a non-current deposit as of 30 June 2014 and 31 December 2013.
4. During the year ended 31 December 2011, the Group advanced a sum of RMB5,752,000 to a third party customer, 深圳市龍興世紀投資有限公司, Shenzhen Long Xing Century Investment Co., Limited ("Shenzhen Long Xing") under the Engineering Services Segment. The directors expected the advance to be settled by Shenzhen Long Xing by May 2014. In May 2013, the Group entered a supplementary agreement with Shenzhen Long Xing, whereby RMB3,500,000 out of the total advance due from Shenzhen Long Xing is unsecured and interest bearing of 0.52% per month for a twelve-months period commencing in May 2013. The remaining balance is unsecured, interest-free.  
  
During the six months ended 30 June 2014, Shenzhen Long Xing has further settled the balance of RMB1,502,000 to the Group.
5. The balance represented the utilities bills paid to the water supplies companies and electricity companies on behalf of the residents under lump sum basis. The payments on behalf of the residents will be re-charged to the residents at rate pre-determined between the Group and the residents.
6. The balance represented the amount paid on behalf of residential communities which are under the consultancy service arrangements. The management offices of residential communities under the consultancy services arrangement have no separate bank accounts because these management offices have no separate legal entity. In accordance with the consultancy services agreements, the Group would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of the group entities.
7. Trade receivables classified as non-current represented the following:
  - (a) Installation revenue to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the installation of energy-saving lighting systems as mentioned in note 1 above.
  - (b) Income to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the provision of rental information to Caizhijia as mentioned in note 2 above.
  - (c) The retention receivables arisen from engineering services whereby the Group expects the settlement from customers will be made after twelve months from the end of each reporting period, which is based on the expiry of the retention period.
8. Other receivables and prepayments classified as non-current represented deposit paid which will be refunded to the Group in 2016 in relation to the consultancy service arrangements entered with a property management company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of each reporting periods, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to Caizhijia, of which the invoice date represented the payment due date:

|                 | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|-----------------|---|---|
| 0 to 30 days    | 20,973                                    | 8,553                                       |
| 31 to 90 days   | 15,418                                    | 10,997                                      |
| 91 to 180 days  | 13,104                                    | 9,296                                       |
| 181 to 365 days | 14,377                                    | 9,442                                       |
| Over 1 year     | 5,477                                     | 3,165                                       |
|                 | 69,349                                    | 41,453                                      |

### 14. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2014, the Group made deposits to independent third parties of approximately RMB59,180,000 in relation to the potential acquisitions of subsidiaries including Nan Cheong Fu Tian Property Management Co., Ltd, Henan Rui Chang Property Management Co., Ltd and Yangzhou Hengjiu Property Management Co., Ltd. The aforesaid companies are principally engaged in property management in the PRC.

The completion of the potential acquisitions is subject to various conditions, which are already set out in the memorandum of understanding. If the Group does not wish to proceed the potential acquisitions or the conditions cannot be fulfilled at the pre-determined date, the deposit paid will be refunded in full to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 15. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

|             | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|-------------|---|---|
| Receivables | 56,587                                    | 43,966                                      |
| Payables    | (105,791)                                 | (96,804)                                    |

The balance represents the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of group entities. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

#### Movements of allowance for doubtful debts

|  | RMB'000 |
|--|---------|
| At 1 January 2014 (audited)            | 12,486  |
| Addition: allowance for doubtful debts | 1,347   |
| At 30 June 2014 (unaudited)            | 13,833  |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 16. TRADE AND OTHER PAYABLES AND ACCRUALS

|   | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|---|---|---|
| Trade payables  | 14,400                                    | 20,851                                      |
| Other payables and accruals:  |   |   |
| Receipts on behalf of residents under lump sum basis  | 6,157                                     | 6,478                                       |
| Receipts on behalf of residents for residential communities<br>under consultancy services arrangement | 11,134                                    | 3,327                                       |
| Accrued listing expenses  | 8,681                                     | 20,972                                      |
| Advances from customers   | 3,049                                     | 11,416                                      |
| Deposits received   | 5,247                                     | 15,314                                      |
| Other tax payable   | 8,904                                     | 13,104                                      |
| Rental payable  | 1,399                                     | 1,399                                       |
| Accrued staff costs   | 7,489                                     | 8,804                                       |
| Provision for retirement benefit contributions  | 10,270                                    | 7,947                                       |
| Other payable and accruals  | 1,950                                     | 4,626                                       |
|   | 64,280                                    | 93,387                                      |

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

|                 | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|-----------------|---|---|
| 0 to 60 days    | 3,585                                     | 13,923                                      |
| 61 to 180 days  | 6,274                                     | 2,439                                       |
| 181 to 365 days | 3,663                                     | 2,806                                       |
| Over 1 year     | 878                                       | 1,683                                       |
|                 | 14,400                                    | 20,851                                      |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. REDEEMABLE SHARES

On 29 May 2013, the Company, China Bowen Capital Management Limited (“China Bowen”), Fantasia Holdings and Splendid Fortune entered into a subscription agreement (“China Bowen Subscription Agreement”), pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (the “China Bowen Subscription Shares”) with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000).

The Company has granted an option (the “Put Option”) to China Bowen that in the event that an initial public offering does not complete on or before 4 June 2015 (or such later date as the Company and China Bowen may agree in writing) (“Put Option Completion Date”), China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require the Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Company has presented the above subscription with the Put Option as a financial liability-redeemable shares as at 31 December 2013. If the Company completes a qualifying initial public offering on or before 4 June 2015, the China Bowen Subscription Shares will be reclassified to share capital of the Company and the difference between par value of China Bowen Subscription Shares and the carrying amount of the redeemable shares would be included in the share premium of the Company.

The effective rate of the redeemable shares is 12% per annum, during the six months ended 30 June 2014, finance cost amounting of RMB218,000 (six months ended 30 June 2013: RMB53,000) was charged to profit or loss.

On 11 June 2014, pursuant to the written resolutions passed by all shareholders of the Company, the directors of the Company were authorised to capitalise the redeemable shares amounting to HK\$493,654 (equivalent to RMB392,000) by applying such sum in paying up in full at par 4,936,543 ordinary shares of HK\$0.1 each. The total number of ordinary shares held as redeemable shares after the capitalisation issue on 11 June 2014 were 4,950,295.

The redeemable shares amounting to RMB6,832,000 were transferred to share capital of RMB393,000 and share premium of RMB6,439,000 respectively, upon the listing of the shares of the Company on the Stock Exchange on 30 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 18. SHARE CAPITAL

|  | Notes | Number<br>of shares | Amount<br>HK\$'000 |
|--|-------|---------------------|--------------------|
| Ordinary shares of HK\$0.1 each                    |       |                     |                    |
| <b>Authorised</b>                                  |       |                     |                    |
| At 1 January 2013, 30 June 2013 and 1 January 2014 |       | 3,800,000           | 380                |
| Increase on 11 June 2014                           | a     | 49,996,200,000      | 4,999,620          |
| At 30 June 2014                                    |       | 50,000,000,000      | 5,000,000          |
| <b>Issued and fully paid</b>                       |       |                     |                    |
| At 1 January 2013                                  |       | 20,000              | 2                  |
| Issue of new shares                                |       | 69,760              | 7                  |
| Capitalisation issue                               |       | 1,980,000           | 198                |
| At 30 June 2013 and 1 January 2014                 |       | 2,069,760           | 207                |
| Issue of new shares upon initial public offering   | b     | 250,000,000         | 25,000             |
| Capitalisation issue                               | c     | 742,979,945         | 74,298             |
| Transfer from redeemable shares (Note 17)          |       | 4,950,295           | 495                |
| At 30 June 2014                                    |       | 1,000,000,000       | 100,000            |
|  |       |                     | Amount<br>RMB'000  |
| Equivalent to RMB'000:                             |       |                     |                    |
| At 30 June 2013                                    |       |                     | 164                |
| At 30 June 2014                                    |       |                     | 79,315             |

Note:

- a. On 11 June 2014, the authorised share capital of the Company increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 shares.
- b. On 30 June 2014, 250,000,000 ordinary shares of HK\$0.1 each of the Company were issued at a price of HK\$3.78 by way of global offering. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK\$25,000,000 (equivalent to RMB19,829,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$920,000,000 (equivalent to RMB729,698,000), before issuing expenses, were credited to share premium account.
- c. Pursuant to the written resolutions passed by all shareholders of the Company dated 11 June 2014, the directors of the Company were authorised to capitalise HK\$74,297,995 (equivalent to RMB58,929,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 742,979,945 ordinary shares of HK\$0.1 each of the Company for allotment and issue to the shareholders of the Company on the register of members of the Company as at the close of business on 11 June 2014 in proportion to their then existing respective shareholdings in the Company, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the global offering. The Company's global offering was completed on 30 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 19. OPERATING LEASES

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

#### The Group as lessee

|                            | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|----------------------------|---|---|
| Within one year            | 7,151                                     | 3,649                                       |
| Between one and five years | 10,864                                    | 9,540                                       |
| Over five years            | 600                                       | 720   |
|                            | 18,615                                    | 13,909                                      |

#### The Group as lessor

|                            | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|----------------------------|---|---|
| Within one year            | 31,942                                    | 14,111                                      |
| Between one and five years | 51,605                                    | 31,652                                      |
| Over five years            | 5,006                                     | 1,921                                       |
|                            | 88,553                                    | 47,684                                      |

### 20. CAPITAL COMMITMENTS

|   | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|---|---|---|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | 229                                       | 11,620                                      |
| Capital committed in respect of acquisition of property, plant and equipment authorised for but not contracted in the condensed consolidated financial statements | 142,043                                   | –   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. RELATED PARTY DISCLOSURES

#### (a) Related party balances

At the end of each reporting period, the Group had the following significant balances with related parties:

|   | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|---|---|---|
| – Amount due from immediate holding company                     |   |   |
| Non-trade nature  | –   | 1   |
| – Amounts due from fellow subsidiaries                          |   |   |
| Non-trade nature  | –   | 29,377                                      |
| Trade nature  | –   | 2,776                                       |
|   | –   | 32,153                                      |
| – Amounts due from non-controlling shareholders of subsidiaries |   |   |
| Non-trade nature  |   |   |
| Mao Yiqing  | –   | 12,145                                      |
| Zhang Hua   | –   | 918   |
|   | –   | 13,063                                      |
| – Amounts due from related parties                              |   |   |
| Non-trade nature  | –   | 1,303                                       |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. RELATED PARTY DISCLOSURES (Continued)

#### (a) Related party balances (Continued)

At 31 December 2013, the non-trade nature balances of amounts due from immediate holding company, fellow subsidiaries, non-controlling shareholders and related parties were unsecured, interest-free and repayable on demand.

For the trade nature balances of amounts due from fellow subsidiaries, a 30 to 90 days credit term is granted from the issuance of invoices.

The related parties are the non-controlling shareholders' subsidiaries.

|   | 30 June<br>2014<br>RMB'000<br>(Unaudited) | 31 December<br>2013<br>RMB'000<br>(Audited) |
|---|---|---|
| – Amounts due to fellow subsidiaries          |   |   |
| Non-trade nature                              | –   | 36,719                                      |
| – Amount due to immediate holding company     |   |   |
| Non-trade nature                              | –   | 1,428                                       |
| – Amounts due to non-controlling shareholders |   |   |
| Non-trade nature                              |   |   |
| Current                                       | –   | 1,809                                       |
| Non-current                                   | 1,265                                     | 1,091                                       |
|   | 1,265                                     | 2,900                                       |
| – Amount due to an associate                  |   |   |
| Non-trade nature                              | –   | 2,387                                       |
| – Amount due to a joint venture               |   |   |
| Non-trade nature                              | –   | 94  |

Note:

The balance represents the amount due to Mu Xiaoming, which is non-trade in nature, unsecured, bears interest of 8.9% per annum and will mature during the year ending 31 December 2020.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions

Except disclosed elsewhere of the condensed consolidated financial statements, the Group had following significant transactions with related parties during the interim period:

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2014                     | 2013        |
|   | RMB'000                  | RMB'000     |
|   | (Unaudited)              | (Unaudited) |
| <b>Engineering services income</b>          |                          |             |
| Fellow subsidiaries                         | 6,868                    | 3,742       |
| <b>Property management services income</b>  |                          |             |
| Fellow subsidiaries                         | 2,156                    | 5,308       |
| <b>Property management services income</b>  |                          |             |
| An associate                                | –                        | 15          |
| Other related parties                       |                          |             |
| Huidong Dayawan San Jiao Zhou Co., Ltd.     | 392                      | 392         |
| Liu Li and Liu Tong                         | –                        | 585         |
|   | 392                      | 977         |
|   | 392                      | 992         |
| <b>Interest expenses</b>                    |                          |             |
| Non-controlling shareholder of a subsidiary | 72                       | 65          |

During the six months ended 30 June 2014, the Group has advanced a borrowing amounted to RMB6,000,000 to a non-controlling shareholder of a subsidiary, Mao Yiqing. The borrowing is unsecured, bears interest at 18% per annum and repayable on demand. The borrowing has been repaid as at 30 June 2014.

Huidong Dayawan San Jiao Zhou Co., Ltd is an entity controlled by a shareholder. Liu Li and Liu Tong are the non-controlling shareholders of a subsidiary.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the interim periods was as follows:

|                              | Six months ended 30 June |         |
|------------------------------|--------------------------|---------|
|                              | 2014                     | 2013    |
|                              | RMB'000                  | RMB'000 |
| Short-term employee benefits | 532                      | 379     |
| Post-employment benefits     | 16                       | 27      |
| Share-based payments         | 37                       | 91      |
|                              | 585                      | 497     |

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

### 22. CONTINGENT LIABILITY

During the year ended 31 December 2012, Shenzhen Buji Water Supplies initiated a legal proceeding against Shenzhen Colour Life Property Management, a subsidiary of the Group, in relation to a water supply contract dispute for a compensation of RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment of RMB8,300,000. Up to the date these condensed consolidated financial statements were authorised for issuance, the procedure of the first instance at Shenzhen Longguan Court has finished, however, the outcome of this legal proceeding is yet to be finalised. With reference to the current situation and based on a legal advice obtained by the Group, the directors of the Company have assessed the issue and considered the amount of compensation cannot be reliably measured at this stage, accordingly, the directors consider no provision is required.



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