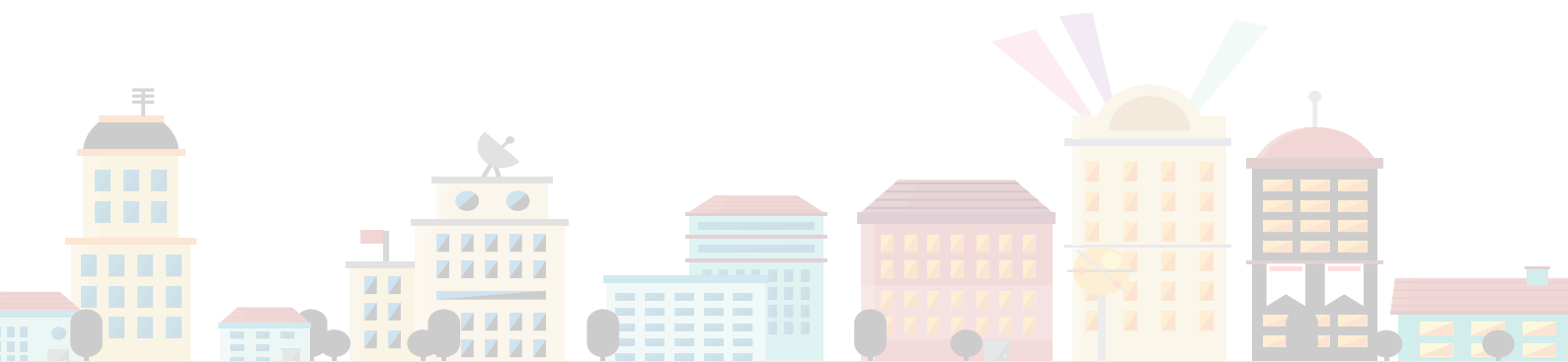


2016 INTERIM REPORT
— Stock Code :1778 —
Colour Life Services Group Co., Limited

Service To Your Family



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Xuebin
(Chief Executive Officer)
Mr. Dong Dong
Mr. Zhou Qinwei
(resigned on 25 July 2016)

Non-executive Directors

Mr. Pan Jun (Chairman)
Mr. Lam Kam Tong
Mr. Zhou Hongyi

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheng Pik Yuk
(resigned on 25 July 2016)
Ms. Chak Wai Ting
(appointed on 25 July 2016)

AUTHORISED REPRESENTATIVES

Mr. Tang Xuebin
Ms. Cheng Pik Yuk
(resigned on 25 July 2016)
Ms. Chak Wai Ting
(appointed on 25 July 2016)

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

1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

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

Honors and Awards

In June 2016, Colour Life Services Group Co., Limited (the “Company”, with its subsidiaries the “Group”) was awarded by China Property Management Institute and China Index Academy the following honors:

1. 2016 TOP100 Property Management Companies of China
2. 2016 China Leading Property Management Companies in terms of Customer Satisfaction
3. 2016 China TOP10 Property Management Companies in terms of Comprehensive Strength
4. 2016 China Top 10 Property Management Companies in terms of Growth Potential
5. 2016 China Specialized Property Service Company — Intelligent Community
6. 2016 China Top 10 Property Management Companies in terms of Business Size



Honors and Awards

In June 2016, the Group was honoured as the “2015 World Largest Property Management Company in terms of Scale of residential properties managed” by China Index Academy.



In April 2016, Shenzhen Colour Life Services Group Company Limited, a wholly-owned subsidiary of the Group, obtained the “2015 Golden Award for Properties in China” by China Property Management Institute (中國物業企業協會) and China Real Estate Association (中國房地產產業協會).



Chairman's Statement



Dear Shareholders,

I am proud to report that, over past half year, the team of Colour Life has achieved excellent performance. Currently, there are 181 cities around the world, 2,236 communities throughout the world enjoying the products and services of Colour Life. We are dedicated to providing services beyond expectation and needs. We consider long-term prospect for the community and renovate our service standards, in a view to bring more surprise to residents in the community.

I would summarise a portion of our goals achieved in the first half of the year, which covered in different areas from growth in scale, outstanding performance of operation indicators to the comprehensive progress made in our “ecosystem” strategy. We would like to let all of you have a glance at what Colour Life is dedicating to and share the excitement on the achievement of the community ecosystem with us. It is our vast team of talents that makes the establishment of ecosystem for community services possible. Members in our team share common value, which is recognizing the value of community, and are dedicated to creating values for the community. Our team members show their ability to make good judgment and self-estimate for better performance in every single day.

Rapid growth of serviced area and significant improvement from integration

As at 30 June 2016, the contracted gross floor area (GFA) under management in the community of the Group increased by 38.0 million sq.m. from the end of 2015 to 360.1 million sq.m. and the Group provided service to 2,236 communities which was 235 more than that at the end of 2015. The rapid expansion of serviced area posed greater requirement to integration ability of the Group, especially to the ability to carry out reform in new communities. With the scheduled progress of upgradation and modification of projects and the accelerating integration of newly-acquired companies, the efficiency brought by automation, standardisation and centralisation of delicate management insisted by the Group is bearing fruit. In the six months ended 30 June 2016, the Group realised positive cash inflow from operating activities of RMB104.2 million, representing a year-on-year growth of RMB173.3 million. Meanwhile, in 2015, the Group completed the acquisition of Kaiyuan International, one of the top enterprises in the industry. Leveraging on the integration of the brand name of Kaiyuan International and the efficiency of Colour Life, Kaiyuan International strengthened a lot in comprehensive capability while operating smoothly.

Chairman's Statement

Focusing on “Soil” strategy on B2F Platform and launching development of “Desert” in full force

Although community O2O (online to offline) has become a hot topic in the capital markets and the media, we realised that the essence of community O2O was B(Business)2F(Family) of the community. O2O reflects the route from online to offline, while B2F reflects the relationship between users. Many enterprises tried to break entry into the community but found the condition was unfavourable and failed to sustain, creating numerous failing cases.

Colour Life believes that, community infrastructure is a key foundation, that is, the “soil” we called, to create the prosperity of community B2F in the future. The Group insisted to establish a platform for community services and focused to be a pioneer in the “desert”, providing “water” and “nutrients” to B2F enterprises which have an ambition in offering vertical services with professionalization in community.

For example, Colour Life employs offline customer managers. These managers visit property owners by appointment regularly to learn about the needs of each family, enabling them establish a B2F relationship naturally. At the same time, as owners in the communities have to use platform of Caizhiyun APP to enjoy our services such as car parking and remittance of fees, Caizhiyun has become an essential online tool for owners in the communities managed by Colour Life. These rigid fundamental property management functions act as Red Willow and Sea-buckthorn in desert to hold the soil and stock water, so that various plants and animals can be catered and in turn turning the desert into oasis. As at 30 June 2016, the number of registered users of Caizhiyun reached 2,150,000, among which 52.7% are active users.

We hope to “fertilise” the soil of our B2F platform in our community which is also desired by both households and enterprises offering vertical B2F professional services.

B2F service ecosystem of communities established from concepts of “Go” chess

Through in-depth cultivation, we are glad to see the platform of Colour Life ecosystem has nurtured various plants, which are all outstanding enterprises in different vertical aspects. For example, E-Repair recorded a daily repair order volume of more than 8,000 orders, approximately 95% of which came from property owners' households; the aggregate investment in the first six month of the “Colour Wealth Life Value-added plan” reached RMB603.1 million, contributing an amount of RMB12.9 million revenue. In the future, their organic combination would satisfy and discover prevailing needs of property owners in all dimensions and aspects, creating more visible values and services for property owners, and in turn become a reliable giant tree on the soil of its community.

Recently, the mobile Internet has changed the world thoroughly, bringing huge impact to all industries. The age of placing emphasis only on development of individual enterprise and mending failures has changed. Now the communities of Colour Life presents an ecosystem similar to the game of Go chess: companies of different products cooperating with the Group act as chess pieces while our community platform acts as the game board and that chess pieces are distributed strategically on the game board. The Group has distinct requirement for cooperating enterprises, the Group will consider: (1) what kind of services they could provide for the community; (2) how they demonstrate the professionalism of community B2F; and (3) how they can connect to other professional B2F enterprises based on Colour Life platform.

People may ask why Colour Life did not provide community vertical B2F professional services on its own. The reason was that in our opinion, professionalism has been and will remain as a main concern in the future, and this will be particularly important for community vertical B2F companies. Every profession possesses its own threshold. We focus to foster good basic services for community service as a platform of “soil”, and we will continue to approach more community B2F service enterprises which realise professionalism in different aspects, in order to achieve a flourishing community B2F ecosystem.

Chairman's Statement

Realising the principle for fundamental property management through the innovative ecosystem strategy continuously

Customers' recognition is the core value of enterprises. However, under the traditional form of property management, the improvement in service quality comes with heavy cost. Colour Life believes that enhancing customers' satisfaction through establishing an innovative path in the ecosystem would be the "Everlasting" model of the industry in the future.

Since the end of the year before last year, we have been attempting to achieve the goal of "adhering on our principle while being innovative" by providing professional sub-contracting services of traditional property services through E-products cooperation. For example, for sub-contracting repair services, normally, each community requires a repair assistant team of 3 to 10 employees, who remain idle in most of their working hours just on standby, it is hard to provide prompt services and guarantee their repair techniques whenever repair demands arouse. Accordingly, the Group cooperates with third-party professional service platforms, assigning repair personnel and repair orders to E-Repair platforms. Through the settlement model which estimates price and charges by individual order and the relevant outcomes, the effectiveness of repair service has improved significantly. Currently, an aggregate of 85 % of relevant orders received the highest 5-star satisfaction on the E-Repair platform, demonstrating the increase in level of satisfaction of our customers. That's why, Colour Life is able to survive and develop, while charging a management fee less than RMB2/sq.m./month, and at the same time making considerable profit.

According to the "2016 Research Report on the Top 100 property service provider in the PRC" issued by China Index Academy, the Group ranked sixth in terms of customer satisfaction which is a leading position in the industry. The level of satisfaction remains the same as 2015 and is one place higher than that of 2014. The improvement is based on the continuous rapid expansion of contracted GFA of Colour life. The Group believes this is also evidence of the positive outcomes of our "adhering on our principle while being innovative" strategy.

Future prospects: React to and take advantage of the trend

30 June 2016 is the second anniversary of listing of Colour Life and 14th anniversary of our establishment. We believe in the long-term values of community services since our establishment as we have been providing services for property owners in each serviced community and building relationship with them every day on different levels.

In the past 14 years, we grew from a regional property management company to the world's largest community service operator. By now, Colour Life preliminarily demonstrates the ideal we pursued back then. This is the reward for our long-term cultivation in the community service sector, and the harvest of our focus and evolution.

Regardless of the position as a third-party community service company at the beginning of establishment, the investment in technology transformation when demographic dividend still existed and the perseverance to be a community service platform to create a community B2F ecosystem under the trend of O2O, Colour Life has been working on a narrow track, on which only ourselves are able to go through.

Faced with the waves of mobile Internet, we start our voyage again to embrace the subversive change brought about by the mobile Internet with cooperating corporations in the ecosystem. Leveraging on this trend, we would not only complete the update and evolution of our fundamental community services, but also turn the deserted community into an oasis.

In this marvelous time, the Group shall move straight forward and would never dare fail to fulfill the entrusted expectations.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group is a leading community services operator in the People's Republic of China (the "PRC" or "China"). Based on the gross floor area ("**GFA**") of residential communities which the Group was contracted to manage as at 31 December 2015, the Group was named by China Index Academy in 2016 as the provider with the largest coverage of community services in the world in terms of the area of residential properties under its management. 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 on a commission basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a lump sum basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (iii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iv) 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) assisting residents to complete the transaction of commodity or service through the Group's information system usage or achieving the purpose of providing basic service to the community using the software platform of the Group, (iii) purchase assistance, and (iv) residential and retail units rental and sales assistance.

PROPERTY MANAGEMENT SERVICES

The Group adheres to its strategy of rapid expansion in GFA coverage. During the period for the six months ended 30 June 2016 (the "**Period**"), the Group acquired the controlling interest in 9 property management companies, including 1 first class qualified company, 3 second class qualified companies and 5 third class qualified companies. During the Period, the Group obtained contracted GFA of 26.5 million sq.m. through such acquisitions.

Meanwhile, the Group possesses extensive experience in the area of merging and large room for reform and improvement. The Group acquired Shenzhen Kaiyuan International Property Management Co., Ltd. ("Kaiyuan International"), a leading enterprise in the property industry. After a year of collaboration, Kaiyuan International is operating smoothly. With the transformation and completion of the upgrade of communities acquired last year, the customer satisfaction and the property management fee collection rate have both improved during the Period. Therefore, net cash from operating activities for the Period increased by RMB173.3 million from RMB69.1 million for the same period in 2015 to RMB104.2 million.

Management Discussion and Analysis

In addition, the Group also focused on driving its organic growth through word-of-mouth marketing and brand building. According to the “2016 Research Report on the Top 100 property service provider in the PRC” issued by the China Index Academy, the Group ranked sixth among the Leading Property Management Companies in terms of customer satisfaction, which laid a solid foundation for obtaining management area through potential new engagements. As at 30 June 2016, the Group’s management service covers Singapore and 180 cities in China and was well-received by the local markets. Newly engaged management area reached 15.5 million sq.m. in the first half of the year.

Through expansion by ways of merger and acquisitions and organic growth (or new engagement), as at 30 June 2016, the contracted GFA of the Group increased by 38.0 million sq.m. from the end of 2015 to 360.1 million sq.m. and the number of management services projects increased by 235 from the end of 2015 to 2,236, which fulfills the Group’s strategy of rapid expansion in GFA coverage.

In order to further speed up the market expansion, the Group launched the Colour Life Property Sales model, under which, the Group collaborates with property developers and financial institutions, such that sales of properties are bundled with coupons that can later be used on the Caizhiyun Platform, a smart community Application APP platform. Since Colour Life Property Sales model primarily targets buyers with limited disposable income, the coupons can assist with lowering the cost of living of the targeted customers. In turn, by launching such coupons, Colour Life Property Sales model can greatly improve the loyalty of the Caizhiyun platform’s users and increase users’ activity. Further to the expansion by ways of merger and acquisitions and organic growth, Colour Life Property Sales model will become the third way of expansion in the future.

Management Discussion and Analysis

Geographical Presence

As at 30 June 2016, the regions with residential communities which the Group managed or provided consultancy services to were as follows:

Southern China

1. Shenzhen
2. Dongguan
3. Foshan
4. Fuzhou
5. Ganzhou
6. Guangzhou
7. Heyuan
8. Huizhou
9. Jingdezhen
10. Nanchang
11. Nankang
12. Putian
13. Qingyuan
14. Shangrao
15. Yangjiang
16. Yichun
17. Yingtan
18. Zhongshan
19. Zhuhai
20. Xiamen
21. Shaoguan
22. Heshan
23. Nan'an
24. Quanzhou
25. Sanming
26. Zhangzhou
27. Nanxiong
28. Longyan
29. Jiujiang
30. Maoming
31. Nanping
32. Xinyu
33. Zhaoqing
34. Haikou
35. Danzhou
36. Fuzhou
37. Shantou
38. Zhanjiang
39. Jinggangshan
40. Fengcheng
41. Ji'an
42. Meizhou
43. Zhangping
44. Sanya
45. Ruijin

Eastern China

46. Changzhou
47. Dongtai
48. Gaoyou
49. Huai'an
50. Jiangyin
51. Jurong
52. Lianyungang
53. Nanjing
54. Nantong
55. Shanghai
56. Suzhou
57. Wuxi
58. Wuhu
59. Xinghua
60. Yancheng
61. Yangzhou
62. Yixing
63. Changshu
64. Kunshan
65. Xuzhou
66. Hangzhou
67. Chuzhou
68. Huzhou
69. Fuyang
70. Jiaxing
71. Linyi
72. Yantai
73. Zhenjiang
74. Zibo
75. Bengbu
76. Hefei
77. Ji'ning
78. Liu'an
79. Qingdao
80. Quzhou
81. Shaoxing
82. Taicang
83. Wenzhou
84. Haining
85. Ji'nan
86. Suqian
87. Tai'an

Southwestern China

88. Chengdu
89. Liuzhou
90. Dali
91. Guilin
92. Nanning
93. Zigong
94. Chongzuo
95. Baise
96. Guigang
97. Zunyi
98. Guiyang
99. Fangchenggang
100. Deyang
101. Guang'an
102. Laibin
103. Lijiang
104. Mianyang
105. Pingnan
106. Suining
107. Tongren
108. Yizhou
109. Chongqing
110. Ziyang
111. Anshun
112. Beihai
113. Guangan
114. Kunming
115. Guanyuan
116. Neijiang
117. Duyun
118. Fuquan
119. Longli
120. Majiang

Northeastern China

121. Gaizhou
122. Harbin
123. Huludao
124. Shenyang
125. Shuangyashan
126. Tieling
127. Yingkou
128. Diaobingshan
129. Benxi
130. Changchun
131. Panjin
132. Dalian
133. Mudanjiang

Northwestern China

134. Xi'an
135. Yinchuan
136. Lanzhou
137. Hancheng
138. Xi'ning
139. Yulin

Northern China

140. Beijing
141. Qinhuangdao
142. Tianjin
143. Shijiazhuang
144. Baotou
145. Tongliao
146. Wuhai
147. Taiyuan
148. Tangshan
149. Hulunbuir
150. Ulanqab

Central China

151. Changsha
152. Xinxiang
153. Yiyang
154. Zhengzhou
155. Wuhan
156. Chenzhou
157. Kaifeng
158. Anyang
159. Xiangyang
160. Jingmen
161. Puyang
162. Yichang
163. Yueyang
164. Zhangjiajie
165. Zhuzhou
166. Huixian
167. Luohe
168. Xiangtan
169. Huanggang
170. Changde
171. Jingzhou
172. Loudi
173. Luoyang
174. Wugang
175. Suizhou
176. Nanyang
177. Xinyang
178. Shangqiu
179. Enshi

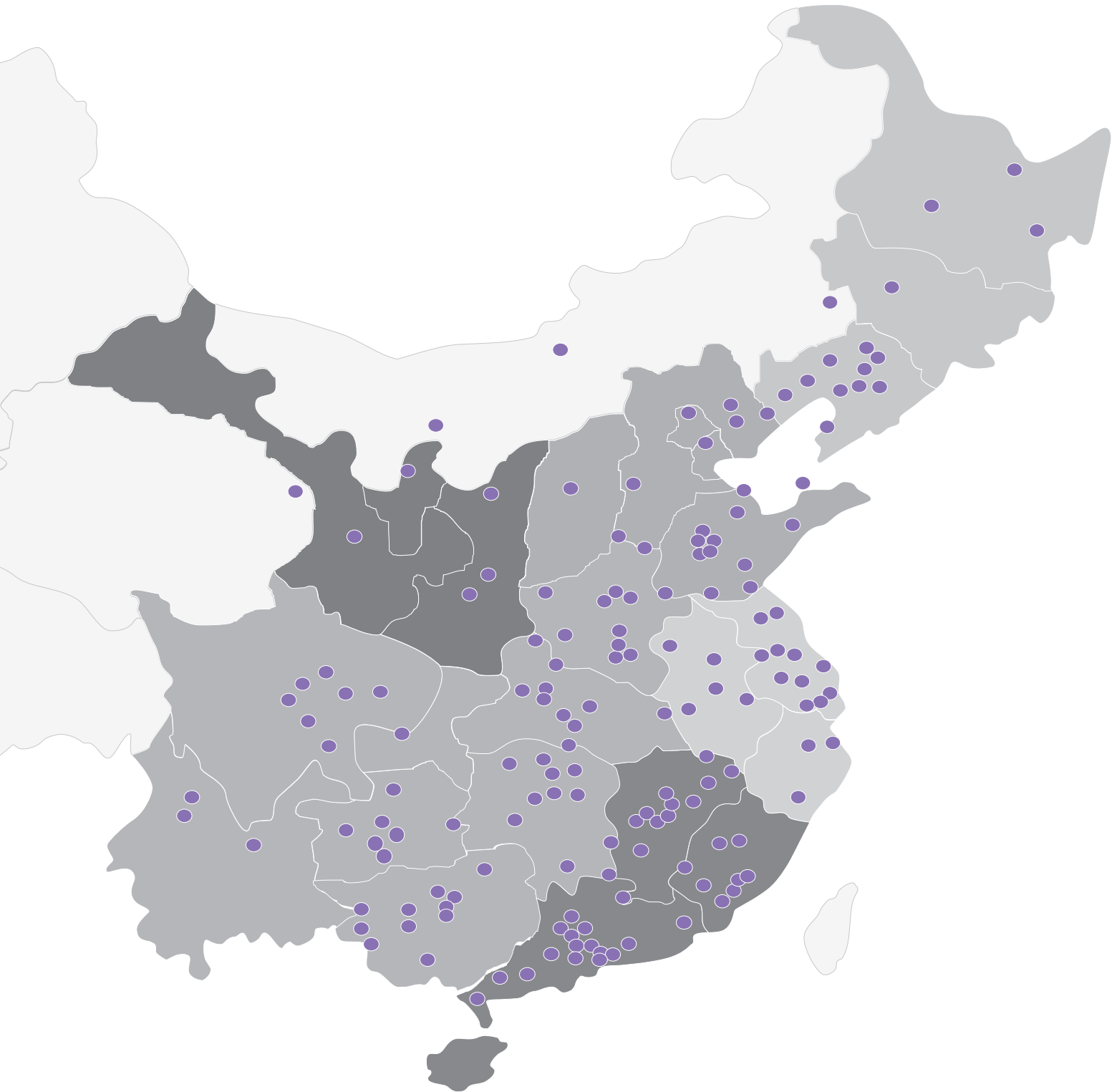
Non-Mainland China

180. Hong Kong

Oversea

181. Singapore

Management Discussion and Analysis



Management Discussion and Analysis

The Group's total contracted GFA had grown continuously during the first half of 2016. The table below sets forth the total contracted GFA and the number of residential communities that the Group managed or provided consultancy services to in different regions as at the dates indicated below:

| | As at 30 June 2016 | | | | As at 31 December 2015 | | | |
|---|--|--------------|--|------------|--|--------------|--|------------|
| | 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 | 7,648 | 131 | 753 | 18 | 7,578 | 129 | 753 | 18 |
| Southern China (excluding Shenzhen) ⁽¹⁾ | 67,691 | 469 | 3,807 | 17 | 58,439 | 414 | 3,807 | 17 |
| Eastern China ⁽²⁾ | 106,343 | 690 | 7,714 | 44 | 104,313 | 652 | 7,483 | 43 |
| Southwestern China ⁽³⁾ | 56,370 | 328 | 798 | 2 | 40,702 | 236 | 798 | 2 |
| Northeastern China | 8,462 | 49 | 3,429 | 21 | 10,044 | 58 | 3,429 | 21 |
| Northwestern China | 16,922 | 75 | 76 | 1 | 15,439 | 68 | 76 | 1 |
| Northern China ⁽⁴⁾ | 16,215 | 80 | 2,005 | 19 | 13,855 | 70 | 2,005 | 19 |
| Central China ⁽⁵⁾ | 60,473 | 236 | 334 | 2 | 52,076 | 198 | 300 | 1 |
| Non-mainland China | 40 | 16 | - | - | 40 | 16 | - | - |
| Singapore | 987 | 38 | - | - | 987 | 38 | - | - |
| Total | 341,151 | 2,112 | 18,916 | 124 | 303,473 | 1,879 | 18,651 | 122 |

Notes:

- (1) The Group newly entered Meizhou, Zhangping, Sanya and Ruijin as at 30 June 2016.
- (2) The Group newly entered Tai'an as at 30 June 2016.
- (3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli and Majiang as at 30 June 2016.
- (4) The Group newly entered Hulunbuir and Ulanqab as at 30 June 2016.
- (5) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu and Enshi as at 30 June 2016.

Management Discussion and Analysis

As at 30 June 2016, the Group had grown its contracted GFA coverage to 180 cities in China and one country outside China. As at 30 June 2016, the Group was contracted to manage 2,112 residential communities with an aggregate contracted GFA of approximately 341.2 million sq.m. and entered into consultancy services contracts with 124 residential communities with an aggregate contracted GFA of approximately 18.9 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 the Group managed or provided consultancy services to during the first half of 2016:

| | As at 30 June 2016 | | | | As at 31 December 2015 | | | |
|---|----------------------|-----------------------------------|--|-----------------------------------|------------------------|-----------------------------------|--|-----------------------------------|
| | 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 | Number of residential communities | Total Contracted GFA | Number of residential communities | Total Contracted GFA | Number of residential communities | Total Contracted GFA | Number of residential communities |
| | ('000 sq.m) | | ('000 sq.m) | | ('000 sq.m) | | ('000 sq.m) | |
| As at the beginning of the year | 303,473 | 1,879 | 18,651 | 122 | 137,164 | 796 | 68,086 | 469 |
| New engagements ⁽¹⁾ | 15,515 | 81 | - | - | 51,804 | 221 | 241 | 1 |
| Acquisitions | 26,251 | 173 | 265 | 2 | 85,083 | 657 | 2,040 | 8 |
| Transfer from consultancy service to self-management ⁽²⁾ | - | - | - | - | 47,540 | 341 | (47,540) | (341) |
| Terminations ⁽³⁾ | (4,088) | (21) | - | - | (18,118) | (136) | (4,176) | (15) |
| As at the end of the year | 341,151 | 2,112 | 18,916 | 124 | 303,473 | 1,879 | 18,651 | 122 |

Notes:

- (1) In relation to residential communities that the Group 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 that the Group provided consultancy services to, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group acquired the property management companies to which it provided consultancy services previously, resulting in the relevant residential communities under the Group's consultancy service arrangements transferred into those the Group managed.
- (3) Including the contracted GFA and the number of residential communities which the Group ceased to manage primarily due to non-renewal of certain property management contracts.

Management Discussion and Analysis

Nature of the Property Developers

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

| | As at 30 June 2016 | | | | As at 31 December 2015 | | | |
|---|----------------------------------|---------------------------|----------------------|---------------------------------|----------------------------------|---------------------------|----------------------|---------------------------------|
| | 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 | 351,302 | 97.6% | 2,202 | 98.5% | 314,416 | 97.6% | 1,970 | 98.5% |
| Properties constructed by the Fantasia Group | 8,765 | 2.4% | 34 | 1.5% | 7,708 | 2.4% | 31 | 1.5% |
| Total | 360,067 | 100% | 2,236 | 100% | 322,124 | 100% | 2,001 | 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 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 systems; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generators, water pumps and water tanks. The Group provides such services through its specialised subsidiaries or third-party sub-contractors.

Management Discussion and Analysis

Colour Life Property Management Services Model

As at 30 June 2016, the Group employed over 35,452 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 the Group 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.

| | As at 30 June 2016 | | As at 31 December 2015 | |
|--|---|---|---|---|
| | 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 | 0.8–8.0 | 1.0–6.9 | 0.8–8.0 | 1.0–6.9 |
| Southern China (excluding Shenzhen) ⁽¹⁾ | 0.4–3.75 | 0.75–2.9 | 0.4–3.75 | 0.75–2.9 |
| Eastern China ⁽²⁾ | 0.2–6.5 | 1.0–4.2 | 0.2–6.5 | 1.0–4.2 |
| Southwestern China ⁽³⁾ | 0.3–5.68 | 0.5–5.0 | 0.3–5.68 | 0.5–5.0 |
| Northeastern China | 0.4–3.7 | 1.8 | 0.4–3.7 | 1.8 |
| Northwestern China | 0.6–1.2 | 1.88 | 0.6–1.2 | 1.88 |
| Northern China ⁽⁴⁾ | 1.8–3.4 | 0.75–3.5 | 1.8–3.4 | 0.75–3.5 |
| Central China ⁽⁵⁾ | 0.5–4.18 | 0.5–2.48 | 0.5–4.18 | 0.5–2.48 |
| Singapore | 1.23 | – | 1.23 | – |
| Hong Kong | 1.42–20.35 | – | 1.42–20.35 | – |

Notes:

- (1) The Group newly entered Meizhou, Zhangping, Sanya and Ruijin as at 30 June 2016.
- (2) The Group newly entered Tai'an as at 30 June 2016.
- (3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli and Majiang as at 30 June 2016.
- (4) The Group newly entered Hulunbuir and Ulanqab as at 30 June 2016.
- (5) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu and Enshi as at 30 June 2016.

Traditional community services cover four areas, “security”, “Cleaning”, “Greening” and “Repair and maintenance”, which show significant labour-intensive characteristics. However, the Group always believes that the community services industry will experience transformation from a labour-intensive industry to a technology-intensive industry. Thus, the Group has strived to provide better experience to the communities through the use of internet, investment in smart devices and optimisation of the management system, since its establishment in 2002.

Management Discussion and Analysis

For example, the Group reduces its demand for certain security guards in providing community services by the installation and application of automated access system and parking system. The Group equips cleaners with machines and equipment such as high-pressure water cannons and cleaning vehicles, enabling them to provide recurring service for communities under its management and in turn improving cleaning efficiency significantly. Meanwhile, the Group keeps up to establish a flat management system, the use of internet and mobile internet facilitated the effective monitoring of the Group's projects across the country from its headquarter, bringing great change to the traditional property management industry which relied on people to conduct monitoring. Subject to professional sub-contracting, the Group's headquarter sends job checklists to personnel responsible for securities, cleaning, greening and repair and maintenance of offices in different cities on a daily basis. The Group conducts random examination on on-site situation of each professional sub-contracting service through CCTV cameras and endeavors to collect satisfaction feedbacks from residents after providing services. These fully realise closed-loop management from headquarter to end projects. Besides, with operating experience of nearly 14 years, the Group has compiled significant community operation data and established standardised service systems. The Group classifies property projects under its management into three categories (cost-effective, easeful and delicate) according to difference in charging standards and areas of respective projects. The Group develops standardised hardware modification solutions and determines service frequencies for each category to ensure consistent customer experience for different projects in respective category and to the Group's rapid expansion in the PRC.

Leveraging on the establishment of the automated, centralised and standardised management system, the Group significantly improved its service efficiency while securing satisfaction from customers. According to the "2016 China Top 100 Property Service Companies Report 《2016 中國物業服務百強企業專項研究報告》", the Group ranked sixth in "China Leading Property Management Companies in terms of Customer Satisfaction".

The Group considers that any cost-saving methods will eventually have limitations, thus basic property management services for the community require more in-depth reforms. In 2015, the Group cooperated with E-Repair platform to explore the provision of repair services to communities and homes. First, the operation and allocation of the E-Repair platform has changed the traditional service model with on-site workers and fixed salary. The platform's improved payment method which is based on the repair outcomes and adopted mechanism of priority orders for better feedbacks secured the quality of repair services in common areas. Meanwhile, E-Repair established a trustworthy relationship with residents through repair services in common areas in the community, and stepped further to enter into households to provide repair services for homes. As at 30 June 2016, the average daily order volume of E-Repair exceeded 8,000, among which 95% came from property owner's households. E-Repair rewards a certain amount earned from their orders as commission fee to the Group. Through the cooperation with E-Repair, the Group not only increased its service efficiency but also improved its customer satisfaction. The Group will progressively bring basic property services such as community cleaning and community security online based on the same model in the future. Besides, the Group assigns customer services managers to serve the communities based on the number of residents in such communities. The customer services managers schedule visits with the residents through the online platform for following up and providing feedbacks in response to the level of customer satisfaction in a timely manner in order to, on the one hand, ensure the quality of the offline community services and, on the other hand, remaining alert on the services required by the residents in the community. The Group will promote development of corresponding value-added services such as repair and cleaning services and organically integrate the community's online and offline businesses, to further enhance the Group's competitiveness.

Management Discussion and Analysis

CONSULTANCY SERVICES

For consultancy services, 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 in the relevant communities, and the Group provides consultation and advice to these regional property management companies such that they can leverage on 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 in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

As at 30 June 2016, the Group was contracted to provide consultancy services to 124 residential communities in the PRC. During the Period, income generated from the Group's consultancy services was RMB16.5 million (2015: RMB39.8 million), or 2.9% of its total revenue for the period (2015: 14.3%). The gross profit margin for consultancy services was nearly 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 in the relevant communities under its own brand name in accordance with the contracts.

ENGINEERING SERVICES

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its wholly-owned 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.

To further increase the efficiency of its property services and bring better experience to customers, the Group has been conducting Internet-based transformation in hardwares and softwares, for all the projects under its management. In October 2015, the Colour Life Smart Community Model was upgraded from Version 2.3 to Version 3.0, realising primarily comprehensive professionalism and commercialisation. The use of ICE system and synergistic working of operating centre create a highly efficient and professional community service system. Meanwhile, Model 3.0 enlarges the design of access and scenario and research so as to make it more convenient for customers to connect to the Caizhiyun APP and effectively improves customers' loyalty, creating an Internet ecosystem from multiple aspects such as users' demand and providing highly efficient support. During the Period, the Group completed 223 projects of hardware modification to Version 3.0.

Management Discussion and Analysis

Automation and other hardware equipment installation services

In order to enhance the management efficiency in the relevant communities and in turn to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation services of automation equipment for residential communities.

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 after 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 that it manages or provides services to in realising energy savings by replacing their existing hardwares 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 implementation of Colour Life management model of the Group, the Group has promoted an equipment management model in communities it manages to reduce the occurrence of major failures of the above mentioned hardware and equipment that requires large-scale repairs through regular maintenance. As at 30 June 2016, the Group was engaged to provide repair and maintenance services to 970 residential communities it manages or provides consultancy services to, covering an area of 121.0 million sq.m.

Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services including car park security systems, building access systems and remote surveillance cameras. The upgraded equipments were engineered by Shenzhen Kaiyuan Tongji and provided for the use of each residential community through the Group's equipment leasing program. As at 30 June 2016, the Group has completed automation and other equipment upgrades of 949 residential communities in total.

Community leasing, sales and other services

With 14 years of experience in community management and services, the Group has established a comprehensive online and offline service team who had built up trust with the community residents and has comprehensive understanding on the demands of the community residents and the scenarios of the community. Leveraging on the understanding of the residents of the communities for which the Group provides management services or consultancy services, the Group focuses on the construction of an open online platform, enabling the residents to connect with local vendors for services or goods via the online and offline platform and creating a community living environment which offers goods and services more conveniently with better bargains.

Management Discussion and Analysis

Caizhiyun APP, the online operating platform of the Group, reported significant progress in the first half of 2016. In addition to basic functions such as handling property management fee payments and complaints as well as issuing service notices, functions with higher utilisation rates, such as “Scan to Access the Community Gate” (掃一掃開社區大門), were also introduced to enhance the interaction and connection between community property owners and the Group, as well as to strengthen owners’ loyalty with the Caizhiyun APP. As at 30 June 2016, registered users of Caizhiyun increased to over 2,150,000, of which over 1,133,000 were active users. The active rate increased to 52.7%. In the future, the Group will further strengthen its ability to investigate and foster community accesses and community scenarios, facilitating the seamless integration of its online and offline businesses.

During the Period, the Group continues to focus on its strategy of building up an open platform and has commenced cooperation with a number of third parties through vertical business incubation and adopted value chain restructuring strategy to jointly explore opportunities for business expansion in diversified community scenarios. Currently, the Group has established cooperation with E-Master (the provider of E-Repair services), Hehenian (合和年)(the provider of E-Wealth Management services), Caizhijia (彩之家)(the provider of E-Leasing services), JD.com (京東), Pacific Insurance, Hua.com (花禮網), Dongxing Travel (東星旅遊) and Shenzhen Airlines, etc. As at 30 June 2016, E-Repair recorded a daily order volume of more than 8,000 orders, 95% of which came from property owners’ households; E-Wealth Management amassed an aggregate investment of RMB656.6 million in the first half of the year, of which “Colour Wealth Life” (彩富人生) contributed an investment amount of RMB603.1 million, contributing RMB12.9 million to the revenue in the first half of the year, representing a year-on-year increase of 804.8%. Such positive operating data have highlighted the initial success of the Colour Life Ecosystem. Another remarkable event is that the Group has commenced pilot work of “Safe Community Model of Smart Community of the Ministry of Public Security (公安部智慧社區安全示範小區)” with Zixu Technology (紫旭科技集團)(a provider of smart urban construction and operation services) to conduct tests on software and hardware equipment including face recognition system. At the same time, the Group established “Community Scenario Laboratory (社區場景研究室)” with LKK Design Group (洛可可創意設計集團) to jointly investigate different community scenarios, with an aim to introduce more products and services which are more user-friendly and fashionable that can satisfy users’ demands in the community.

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

Common area rental assistance

Advertising spaces in a residential community, such as those on elevator walls or in common spaces, are the properties of the property developers 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.

Platform usage fees

With the growth of the total contracted GFA as well as the areas which the Group provides consultancy services, the Group expects that the potential demands for local products and services among its large number of residents will increase. Accordingly, the Group has collaborated with providers of various products and services through Caizhiyun APP, its online platform, and promotes products or services to property owners through Caizhiyun APP. Providers of products and services will pay certain proportion of their sales revenue to the Group as commission after successful transactions. As at 30 June 2016, Caizhiyun APP serves 1,835 residential communities.

Management Discussion and Analysis

Purchase assistance

Apart from cooperation with online platforms, the Group also established offline cooperation with providers of certain goods and services. Providers promote their goods and services in the community by way of offline events or on-site sales. The Group receives certain proportion of the sales price or a fixed fee as referral fees from the providers.

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 a period that covers the rent-free period enjoyed by the primary tenant.

FINANCIAL REVIEW

Revenue

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 2016, the total revenue increased by 106.8% to approximately RMB575.1 million from RMB278.1 million for the six months ended 30 June 2015.

The increase in revenue was primarily driven by (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.

— *Property Management Services*

For the Period, revenue from property management services increased by 193.7% from RMB149.6 million for the six months ended 30 June 2015 to RMB439.4 million.

Such increase was primarily attributable to:

- (a) an increase in the revenue of approximately RMB291.5 million under lump sum basis due to the completion of the acquisition of Kaiyuan International, as well as other property management companies, whose service fees are charged with a larger proportion in terms of GFA being under lump sum basis. As at 30 June 2016, the revenue-bearing GFA under lump sum basis increased by 31.7 million sq.m. to 32.0 million sq.m. from 0.3 million sq.m. as at the same date in 2015;
- (b) an increase in revenue of RMB13.7 million from service fees charged under commission basis which in turn was driven by the growing revenue-bearing GFA. As at 30 June 2016, the revenue-bearing GFA under commission basis increased by 34.4 million sq.m., or 19.9%, from 173.2 million sq.m. as at the same date in 2015 to 207.6 million sq.m.;
- (c) an increase in revenue of RMB8.0 million from services fee charged for rendering pre-sale related services for the six months ended 30 June 2016 as compared to that charged for the six months ended 30 June 2015;

Management Discussion and Analysis

- (d) a decrease in revenue of RMB23.3 million from fees charged under consultancy services contracts due to the completion of acquisition of the property management companies previously under the Group's consultancy service. As at 30 June 2016, the revenue-bearing GFA under consultancy services contracts decreased by 8.2 million sq.m., or 34.3%, to 15.7 million sq.m. from 23.9 million sq.m. as at 30 June 2015.

Due to the facts discussed above, revenue from property management services for the Period accounted for 76.4% of the Group's total revenue, representing an increase of 22.6 percentage point as compared to that of 53.8% for the six months ended 30 June 2015.

— *Engineering Services*

For the Period, revenue from engineering service decreased by 24.1% from RMB84.7 million for the six months ended 30 June 2015 to RMB64.3 million.

The decline in revenue from engineering services was primarily attributable to:

- (a) a reduction in community repair and maintenance service income which decreased by 40.3% to RMB28.3 million for the six months ended 30 June 2016 from RMB47.4 million for the six months ended 30 June 2015, which was caused by the introduction of E-Repair, turning the traditional property management cost to on-line value-added service.
- (b) a decrease in the revenue from equipment installation services of 19.5% to RMB21.5 million for the six months ended 30 June 2016 from RMB26.7 million for the six months ended 30 June 2015, which was determined by the completion schedules.
- (c) an increase in the revenue of RMB3.8 million charged for the community equipment leasing income for the Period which is in line with the Group's community equipment upgrade program.

— *Community Leasing, Sales and Other Services*

For the Period, revenue from community leasing, sales and other services increased by 63.0% from RMB43.8 million for the corresponding period in 2015 to RMB71.4 million.

The growth in community leasing, sales and other services was primarily attributable to:

- (a) an increase in platform usage fees of approximately RMB19.0 million driven by the Group's growth in the total revenue-bearing GFA and the expansion of online to offline service, which increased by 106.1% to RMB36.9 million for the Period from RMB17.9 million of that in the six months ended 30 June 2015;
- (b) an increase in common area rental assistance income of 59.2% to RMB24.2 million for the six months ended 30 June 2016 from RMB15.2 million for the six months ended 30 June 2015.

Management Discussion and Analysis

Cost of Sales and Services

The Group's cost of sales and services primarily comprises labour 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 Period, cost of sales and services increased by 341.5% from approximately RMB72.6 million for the six months ended 30 June 2015 to approximately RMB320.5 million. The increase was primarily attributable to the acquisition of Kaiyuan International and other property management companies. The majority of the cost is charged with the property management services under lump sum basis and pre-sale services contracted with property developers.

Gross Profit and Gross Profit Margin

For the Period, the overall gross profit increased by RMB49.2 million from approximately RMB205.5 million for the six months ended 30 June 2015 to approximately RMB254.7 million. The increase in gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin decreased by 29.6 percentage points to 44.3% for the Period from that of 73.9% for the six months ended 30 June 2015. The decrease was primarily attributable to the increase in the proportion of payments received from property management service under lump sum basis, which had a relatively lower gross margin rate.

(i) Property Management Services

For the Period, the gross profit margin of property management services decreased by 40.4 percentage points from 74.8% for the six months ended 30 June 2015 to 34.4%. The decrease was primarily due to the increasing proportion of payments generated from property management services under lump sum basis, which had a relatively lower gross profit margin compared to the property management services under commission basis and consulting service.

(ii) Engineering Services

For the Period, gross profit margin for the engineering services segment decreased by 7.0 percentage points from approximately 59.0% for the six months ended 30 June 2015 to approximately 52.0%. The decrease was primarily attributable to the decrease in the proportion of repair and maintenance service income which had a higher gross profit margin.

(iii) Community Leasing, Sales and Other Services

For the Period, gross profit from the community leasing, sales and other services segment increased by 60.8% to approximately RMB70.1 million from approximately RMB43.6 million for the six months ended 30 June 2015. Gross profit margin remained at nearly 100%, being 98.1%, which was stable as compared to that of the six months ended 30 June 2015.

Other Gains and Losses

The Group's other gains and losses decreased by 32.5% from a loss of RMB26.5 million for the six months ended 30 June 2015 to a loss of RMB17.9 million for the Period. The decrease was primarily due to a decrease of RMB7.8 million in impairment loss recognised both on trade receivables and payments on behalf of residents under commission basis which the Company believes may not be recovered based on the Company's review of the balances for the Group's property management and engineering services contracts.

Management Discussion and Analysis

Other Income

The Group's other income for the Period was RMB8.4 million, which increased by 115.4% as compared to that of the six months ended 30 June 2015. The increase was mainly attributable to an increase of RMB2.7 million in the unconditional government grant received for the Period.

Selling and Distribution Expenses

Selling and distribution expenses for the Period was RMB2.3 million, which decreased by 58.2% from RMB5.5 million for the corresponding period in 2015. The decrease was mainly due to the decrease in the promotion expenses for the online platform Caizhiyun APP.

Administrative Expenses

The Group's administrative expenses increased by 83.2% from RMB78.7 million for the six months ended 30 June 2015 to RMB144.2 million for the Period. The Group continues to tighten its cost control measures. The increase in administrative expenses was primarily attributable to (i) the grant of share options by the Company on 18 March 2016, together with the batches granted on 30 April 2015 and 29 September 2014, respectively, resulting in a charge of an amount of RMB51.2 million administrative expenses for the Period; (ii) an increase of RMB14.7 million of charge in depreciation and amortization expenses due to the addition of property, plant and equipment and intangible assets; (iii) the expansion of the Group's business scale which is in line with the Group's growing GFA resulting an increase in back offices personnel relocated for headquarter management function as well as other centralized services like finance and human resources services; and (iv) an increase in the Group's regional administrative costs associated with some of the acquisitions of local property management companies by the Group, as a result of the Group's expansion to new areas/cities.

Expenses recharged to Residential Communities under Commission Basis

For the Period, the Group's expenses recharged to residential communities under commission basis amounted to RMB33.1 million, representing an increase of 53.2% as compared to RMB21.6 million for the six months ended 30 June 2015. The increase was primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the increase in contribution to the Group's centralised services of financial accounting, human resources, operation, legal services, etc., and therefore the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs was RMB11.2 million for the Period, which was an increase of 64.7% as compared to RMB6.8 million for the corresponding period in 2015, mainly due to the increase in bank borrowings and the Group's issuance of domestic corporate bonds in January 2016.

Share Options

The Company adopted a share option scheme on 11 June 2014.

On 18 March 2016, the Company granted 34,247,488 share options to its Directors, certain employees of the Group and certain minority shareholders of the Company's subsidiaries, respectively, for which the exercise price is HK\$5.76 each. Together with the effect of share options granted on 29 September 2014 and 30 April 2015, the total share option expense charged to the statement of profit or loss for the six months ended 30 June 2016 was approximately RMB51.2 million.

Management Discussion and Analysis

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties increased by 109.5% to a gain of RMB4.4 million for the Period from a gain of RMB2.1 million for the six months ended 30 June 2015, which was primarily due to the addition of investment properties and the growth in market value of the respective investment properties.

Income Tax Expenses

The Group's income tax expenses increased by 25.8% to approximately RMB40.5 million for the Period from approximately RMB32.2 million for the six months ended 30 June 2015. The increase was primarily due to an increase of current tax for EIT by 20.8% from RMB38.4 million for the six months ended 30 June 2015 to RMB46.4 million.

Adjusted Profit for the Period

Adjusted profit is defined as profit for the period before the costs of the Group's share option program, depreciation, amortisation, allowance debt and impairment loss charged to the statement profit or loss. As these cost items are either non-recurring or non-cash spending, the Company believes that separate analysis of the impacts of these cost items adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. Set forth below is a reconciliation of adjusted profit for the period to the most directly comparable HKFRS measure:

| | For the six months ended 30 June | | Variance | |
|-----------------------------------|-------------------------------------|-----------------|-------------------|---------|
| | 2016 RMB'000 | 2015 RMB'000 | Amount RMB'000 | % |
| Profit for the period under HKFRS | 85,019 | 84,149 | 870 | 1.0% |
| Add: | | | | |
| Share option expenses | 51,164 | 31,320 | 19,844 | 63.4% |
| Depreciation and amortisation | 17,030 | 5,982 | 11,048 | 184.7% |
| Allowance for doubtful debts | | | | |
| on trade receivables | 5,790 | 6,960 | (1,170) | (16.8%) |
| Impairment loss recognized on | | | | |
| payments on behalf of residents | | | | |
| under commission basis | 6,211 | 10,875 | (4,664) | (42.9%) |
| Adjusted profit for the period | 165,214 | 139,286 | 25,928 | 18.6% |

Adjusted profit for the Period was RMB165.2 million, representing an increase of 18.6% from RMB139.3 million for the same period in 2015.

Management Discussion and Analysis

Trade and Other Receivables

Trade receivables mainly arose from management and service income under lump sum basis from property management services, installation contract income and automation equipment upgrade services income from engineering services and service income from community leasing, sales and other services.

As at 30 June 2016, total trade receivables of the Group amounted to approximately RMB263.6 million, representing an increase of approximately RMB77.1 million compared to approximately RMB186.5 million as at 31 December 2015. The increase was attributable to the significant increase in GFA from which the Group effectively generated income during the period.

Other receivables and prepayments increased from approximately RMB117.7 million as at 31 December 2015 to approximately RMB169.7 million as at 30 June 2016, the increase was primarily attributable to: (i) an increase of RMB15.7 million in other deposits mainly from rental deposits for the leasing of Shanghai Colour Life Times Plaza (上海彩生活時代廣場); (ii) an increase of RMB11.0 million in prepayment to suppliers due to the prepayment of equipment upgrade projects, which were widely promoted among residential communities that the Group managed; (iii) an increase of RMB7.5 million in receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia due to the Group's revenue growth in residential and retail units rental assistance services; (iv) an increase of RMB5.8 million in advance to staff due to the Group's growing contracted GFA; (v) an increase of RMB5.4 million in payment on behalf of residents for residential communities under consultancy services arrangement.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group on commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity status. 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 the Group. 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 fees collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

Increase in balance of payment on behalf of residents and increase in balance of receipt on behalf of residents are primarily due to the fact that, in line with the growing revenue-bearing GFA under the Group's management, projects newly entered into the Group's management system have various property management fee collection dates and project optional cost spending.

Management Discussion and Analysis

Trade and Other Payables

Trade and other payables primarily comprise items such as payables to sub-contractors of the Group's property management services and engineering services, receipts on behalf of residents for residential communities under lump sum basis and under consultancy services arrangement, advances from customers, deposits received, accrued staff costs, other tax payable, and other payable and accruals, details of which are as follows:

- (1) trade payables increased from approximately RMB80.2 million as at 31 December 2015 to approximately RMB97.1 million as at 30 June 2016. This was primarily due to growth of the Group's property management services business under lump sum basis.
- (2) other payables and accruals increased from approximately RMB421.2 million as at 31 December 2015 to approximately RMB495.3 million as at 30 June 2016, primarily attributable to:
 - (i) an increase of RMB16.7 million in consideration payable for acquisition of subsidiaries for the Period;
 - (ii) an increase of RMB20.6 million in advances from customers due to the new acquisitions of property management companies by which most of the property management services provided are under lump sum basis;
 - (iii) an increase of RMB24.2 million in deposit received and other payable and accruals due to the Group's business and expansion; and
 - (iv) loans received amounting to RMB12.2 million from third parties.

Cash Position

As at 30 June 2016, the Group's total cash (including restricted bank deposits) decreased by 12.9% from RMB970.9 million as at 31 December 2015 to approximately RMB845.4 million. Among the Group's total cash, RMB492.3 million (31 December 2015: RMB551.4 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's IPO net proceeds from offshore to onshore entities.

The financial position remained stable. As at 30 June 2016, the current ratio (current asset/current liabilities) of the Group was 1.6 (31 December 2015: 1.5).

Currency Risk

The Group principally focused its operations in the PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuation. During the Period, despite the depreciation of RMB against USD and HKD, the Directors expected that fluctuations of the RMB exchange rate would not materially and adversely affect the operations of the Group.

Employees and Remuneration Policies

As at 30 June 2016, excluding the employees for communities under commission basis, the Group had approximately 7,886 employees (31 December 2015: approximately 7,537 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 employees in the PRC) and a discretionary bonus program.

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 of directors of the Company (the "Board") that shareholders can maximise their benefits from good corporate governance.

The Board comprises two 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For the period throughout the six months ended 30 June 2016, the Board is of the view that the Company has complied with all code provisions under the CG Code save for the following deviation:

In respect of the code provision E.1.2 of the CG Code, the Chairmen of the Audit Committee and Remuneration Committee and other committee members were not present at the annual general meeting ("**AGM**") of the Company held on 13 May 2016 due to other business commitment and no delegate was appointed to attend the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 for the six month period ended 30 June 2016 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the Period.

Corporate Governance and Other Information

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 Xinmin, 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 2016. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2016 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.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference in compliance with the CG 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 Xinmin, 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 CG 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 Xinmin, while Mr. Pan Jun is the chairman of the nomination committee. The primary function of the nomination committee is to make recommendations to the Board on the appointment of members of the Board.

Corporate Governance and Other Information

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.

The summary below sets out the details of movement of the share options during the six months ended 30 June 2016 pursuant to the Share Option Scheme:

| Name | Date of grant | Exercise price HK\$ | Closing price of the shares on the date of grant HK\$ | Number of share options | | | | Balance as at 30 June 2016 | Weighted average closing price immediately before exercise HK\$ | Note |
|---|-------------------|------------------------|--|------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------|--|------|
| | | | | Balance as at 1 January 2016 | Granted during the period | Exercised during the period | Cancelled/lapsed during the period | | | |
| Mr. Tang Xuebin | 29 September 2014 | 6.66 | 6.66 | 547,790 | - | - | - | 547,790 | - | (1) |
| | | | | 347,650 | | | | 347,650 | | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 103,500 | - | - | - | 103,500 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 100,000 | - | - | 100,000 | - | (4) |
| Mr. Dong Dong | 29 September 2014 | 6.66 | 6.66 | 455,150 | - | - | - | 455,150 | - | (1) |
| | | | | 347,650 | | | | 347,650 | | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 123,500 | - | - | - | 123,500 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 100,000 | - | - | 100,000 | - | (4) |
| Mr. Zhou Qinwei (resigned on 25 July 2016) | 29 September 2014 | 6.66 | 6.66 | 128,800 | - | - | - | 128,800 | - | (1) |
| | | | | 338,500 | | | | 338,500 | | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 123,500 | - | - | - | 123,500 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Mr. Pan Jun | 29 September 2014 | 6.66 | 6.66 | 547,790 | - | - | - | 547,790 | - | (1) |
| | | | | 347,650 | | | | 347,650 | | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Mr. Lam Kam Tong | 29 September 2014 | 6.66 | 6.66 | 150,000 | - | - | - | 150,000 | - | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Mr. Zhou Hongyi | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Mr. Tam Chun Hung, Anthony | 29 September 2014 | 6.66 | 6.66 | 150,000 | - | - | - | 150,000 | - | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |

Corporate Governance and Other Information

| Name | Date of grant | Exercise price HK\$ | Closing price of the shares on the date of grant HK\$ | Number of share options | | | | Balance as at 30 June 2016 | Weighted average closing price immediately before exercise HK\$ | Note |
|--|-------------------|------------------------|--|------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------|--|-----------|
| | | | | Balance as at 1 January 2016 | Granted during the period | Exercised during the period | Cancelled/lapsed during the period | | | |
| Dr. Liao Jianwen | 29 September 2014 | 6.66 | 6.66 | 150,000 | - | - | - | 150,000 | - | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Mr. Xu Xinmin | 29 September 2014 | 6.66 | 6.66 | 150,000 | - | - | - | 150,000 | - | (2) |
| | 30 April 2015 | 11.00 | 10.88 | 180,000 | - | - | - | 180,000 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 180,000 | - | - | 180,000 | - | (4) |
| Employees of the Group, a resigned non-executive | 29 September 2014 | 6.66 | 6.66 | 17,428,010 | - | - | (1,871,959) | 15,556,051 | - | (1) |
| | | | | 20,511,350 | | | (284,041) | 20,227,309 | | (2) & (5) |
| Director and certain minority shareholders of the Company's subsidiaries | 30 April 2015 | 11.00 | 10.88 | 23,452,300 | - | - | (1,597,009) | 21,855,291 | - | (3) |
| | 18 March 2016 | 5.764 | 5.76 | - | 32,787,488 | - | (954,706) | 31,832,782 | - | (4) |
| Total | | | | 66,483,140 | 34,247,488 | - | (4,707,715) | 96,022,913 | - | |

Notes:

- (1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) and the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.
- (2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.
- (3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.
- (4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.
- (5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive Director on 21 April 2015, has been extended at the discretion of the Board.

Corporate Governance and Other Information

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “Share Award Scheme”) passed by the Board at the Board meeting held on 4 July 2016. The adoption of the Share Award Scheme did not require the approval of the shareholders of the Company.

The major terms of the Share Award Scheme are summarized as follows:

(i) Purpose

The purpose of the Share Award Scheme is to enable the Company to grant shares of Colour Life (the “Incentive Shares”) as incentive to selected eligible participants of the Share Award Scheme (the “Grantees”) as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Award Scheme will provide the Grantees with the opportunity to acquire proprietary interests in the Company and will encourage them to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole.

(ii) Fund available for the Share Award Scheme

The RMB10,000,000 is the initial amount to be provided for the Share Award Scheme. The Board may by resolution determine such other amount that may be provided for the Share Award Scheme, which shall have a limit of up to 20,000,000 Shares, representing approximately 2% of the issued share capital of the Company as at 4 July 2016.

(iii) Term

The Share Award Scheme will have an effective term of five years from the date of its adoption.

(iv) Trustee

A trustee (the “Trustee”) will be appointed by the Company for holding the Shares granted under the Share Award Scheme.

(v) Eligible Persons

The Grantees under the Share Award Scheme will include employees of the Group (including directors) and consultants to the Group.

The chief executive officer and chief human resource officer authorized by the Board will determine from time to time a list of the Grantees and the terms and conditions of such grant of Incentive Shares to them and Mr. Duan Feiqin, an assistant president of the Company or any other person that may be designated by the Board from time to time, will instruct the Trustee to purchase on the market such number of Shares for the Share Award Scheme.

(vi) Transfer of the Incentive Shares to the Grantees

The Trustee will transfer the Incentive Shares to the Grantees when all conditions to the grant, including vesting conditions and/or performance target (if any) are met. The exact terms and conditions of the grant will be determined by the Chief Executive Officer and the Chief Human Resource Officer authorised by the Board at the time of the granting of the award.

As at the date of this report, no Incentive Shares had been awarded or agreed to be awarded under the Share Award Scheme.

Corporate Governance and Other Information

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 2016.

STRUCTURED CONTRACTS

The Group is entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement") under the Structured Contracts. For details of the Structured Contracts, please refer to the section headed "History, Reorganisation and Group Structure – The Structured Contracts" in the Company's prospectus dated 17 June 2014.

The Company is still exploring various opportunities in building up its community leasing, sales and other services business operations overseas for the purposes of being qualified, as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value added telecommunication enterprises are lifted.

The Company continued to expand and cooperate with various partners on the Caizhiyun platform. With E-maintenance service and E-wealth management service introduced to the platform, the revenue and total asset value subject to the Contractual Arrangement amounted to approximately RMB13.5 million for the period ended 30 June 2016 and approximately RMB3.4 million as at 30 June 2016, respectively.

To ensure proper implementation of the Structured Contracts, the Company also takes the following measures:

- (a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Board on a regular basis which was no less frequent than on a quarterly basis;
- (b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;
- (c) the relevant business units and operation divisions of the Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Structured Contracts and other related matters;
- (d) the compliance department of the Company, headed by Mr. Duan Feiqin ("Mr. Duan") during the Period, an assistant president of the Company, monitors the proper implementation and Mr. Pan's and Mr. Tang Xuebin's compliance with the Structured Contracts; and
- (e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal has been kept by Mr. Duan during the Period.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group.

The Board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2016, 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 of Hong Kong Limited (the "SEHK") 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 SEHK (the "Listing Rules") were as follows:

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

| Name of director | Capacity/ Nature of interest | Number of ordinary shares/ underlying shares of the Company interested | Approximate percentage of shareholding interest |
|----------------------------|--|--|--|
| Mr. Tang Xuebin | Interest of controlled corporation ^{(1)&(2)} Beneficial owner ⁽³⁾ | 720,638,259 | 72.06% |
| | | 1,098,940 | 0.11% |
| | | 721,737,199 | 72.17% |
| Mr. Dong Dong | Beneficial owner ⁽³⁾ | 1,026,300 | 0.10% |
| Mr. Zhou Qinwei | Beneficial owner ⁽³⁾ | 770,800 | 0.08% |
| Mr. Pan Jun | Beneficial owner ⁽³⁾ | 1,255,440 | 0.13% |
| Mr. Zhou Hongyi | Beneficial owner ⁽³⁾ | 360,000 | 0.04% |
| Mr. Lam Kam Tong | Beneficial owner ⁽³⁾ | 510,000 | 0.05% |
| Mr. Tam Chun Hung, Anthony | Beneficial owner ⁽³⁾ | 510,000 | 0.05% |
| Dr. Liao Jianwen | Beneficial owner ⁽³⁾ | 510,000 | 0.05% |
| Mr. Xu Xinmin | Beneficial owner ⁽³⁾ | 510,000 | 0.05% |

Notes:

- (1) Mr. Tang Xuebin ("Mr. Tang") is interested in 43.34% shares in Colour Success Limited ("Colour Success") which wholly owns Splendid Fortune Enterprise Limited ("Splendid Fortune"). Mr. Tang Xuebin is therefore deemed to be interested in the 216,681,477 shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.
- (2) Under a concert party agreement dated 29 June 2015 entered into between Fantasia Holdings and Splendid Fortune ("Concert Party Agreement"), each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Mr. Tang is also deemed to be interested in the 503,956,782 shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.
- (3) These are share options granted to the Directors of the Company under the Share Option Scheme (details of which are stated under the sub-section headed "Share Option Scheme" below).

Disclosure of Interests

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

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

Notes:

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

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had any interests or short position in the shares and underlying shares 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 SEHK 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 SEHK.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of shareholder | Capacity/ Nature of interest | Number of ordinary shares of the Company interested | Approximate percentage of shareholding interest |
|---------------------|---|--|--|
| Fantasia Holdings | Beneficial owner ⁽¹⁾ | 503,956,782 | 72.06% |
| | Other interest ⁽²⁾ | 216,681,477 | |
| | | 720,638,259 | |
| Fantasy Pearl | Beneficial owner | 1,343,000 | 72.19% |
| | Interest of controlled corporation ^{(1)&(2)} | 720,638,259 | |
| | | 721,981,259 | |
| Ice Apex | Interest of controlled corporation ^{(1)&(2)} | 721,981,259 | 72.19% |
| Ms. Zeng Jie, Baby | Interest of controlled corporation ^{(1)&(2)} | 721,981,259 | 72.19% |
| Splendid Fortune | Beneficial owner ⁽³⁾ | 216,681,477 | 72.06% |
| | Other interest ⁽⁴⁾ | 503,956,782 | |
| | | 720,638,259 | |
| Colour Success | Interest of controlled corporation ^{(3)&(4)} | 720,638,259 | 72.06% |

Notes:

- (1) Fantasia Holdings is owned as to 57.50% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings for the purpose of Part XV of the SFO.
- (2) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Fantasia Holdings, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby are also deemed to be interested in the shares of the Company in which Splendid Fortune is interested for the purpose of Part XV of the SFO.
- (3) Splendid Fortune is wholly owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively.
- (4) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Splendid Fortune and Colour Success are also deemed to be interested in the shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2016, no other shareholder, other than Directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report on Review of Interim Financial Information



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 37 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

| | NOTES | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Revenue | 3 | 575,143 | 278,140 |
| Cost of sales and services | | (320,457) | (72,592) |
| Gross profit | | 254,686 | 205,548 |
| Other gains and losses | | (17,860) | (26,479) |
| Other income | | 8,378 | 3,871 |
| Selling and distribution expenses | | (2,303) | (5,532) |
| Administrative expenses | | (144,186) | (78,660) |
| Expenses recharged to residential communities under commission basis | | 33,088 | 21,611 |
| Finance costs | | (11,211) | (6,765) |
| Change in fair value of investment properties | | 4,378 | 2,099 |
| Share of results of associates | | 338 | 319 |
| Share of result of a joint venture | | 203 | 374 |
| Profit before tax | | 125,511 | 116,386 |
| Income tax expense | 4 | (40,492) | (32,237) |
| Profit for the period | 5 | 85,019 | 84,149 |
| Other comprehensive income (expense) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Change in fair value of available-for-sale investment | | 79,397 | – |
| Deferred taxation effect on change in fair value of available-for-sale investment | | (19,849) | – |
| Other comprehensive income for the period, net of income tax | | 59,548 | – |
| Profit and total comprehensive income for the period | | 144,567 | 84,149 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

| | NOTES | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 73,467 | 77,578 |
| Non-controlling interests | | 11,552 | 6,571 |
| | | 85,019 | 84,149 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 133,015 | 77,578 |
| Non-controlling interests | | 11,552 | 6,571 |
| | | 144,567 | 84,149 |
| Earnings per share (RMB cents) | 7 | | |
| – Basic | | 7.35 | 7.76 |
| – Diluted | | 7.35 | 7.74 |

Condensed Consolidated Statement of Financial Position

At 30 June 2016

| | NOTES | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|--|-------|---|---|
| Non-current Assets | | | |
| Property, plant and equipment | 8 | 175,517 | 167,099 |
| Investment properties | 9 | 94,049 | 88,804 |
| Interests in associates | | 6,670 | 6,332 |
| Interest in a joint venture | | 1,311 | 1,108 |
| Available-for-sale investment | 10 | 129,397 | – |
| Intangible assets | | 184,423 | 152,033 |
| Goodwill | | 648,446 | 575,634 |
| Trade receivables | 11 | 8,990 | 7,199 |
| Other receivables and prepayments | 12 | 6,681 | 5,964 |
| Deferred tax assets | | 23,722 | 19,722 |
| Amount due from a director | 13 | 78 | – |
| Deposits paid for potential acquisitions of subsidiaries | | 142,035 | 106,736 |
| | | 1,421,319 | 1,130,631 |
| Current Assets | | | |
| Inventories | | 3,033 | 2,106 |
| Amounts due from customers for contract works | | 34,769 | 34,328 |
| Trade receivables | 11 | 254,622 | 179,350 |
| Other receivables and prepayments | 12 | 163,004 | 111,751 |
| Payments on behalf of residents | | 205,413 | 169,626 |
| Amounts due from fellow subsidiaries | 13 | 14,966 | 46,548 |
| Amounts due from non-controlling shareholders of the subsidiaries | 13 | 75,934 | 46,422 |
| Amounts due from related parties | 13 | 2,145 | 7,228 |
| Amount due from an associate | 13 | 1,318 | 1,105 |
| Amount due from a director | 13 | 12 | – |
| Financial assets designated at fair value through profit or loss (“FVTPL”) | 14 | 57,179 | 19,200 |
| Pledged/restricted bank deposits | | 492,300 | 551,383 |
| Bank balances and cash | | 353,059 | 419,478 |
| | | 1,657,754 | 1,588,525 |
| Current Liabilities | | | |
| Amounts due to customers for contract works | | 16,725 | 17,141 |
| Trade payables | 15 | 97,082 | 80,231 |
| Other payables and accruals | 16 | 495,262 | 421,177 |
| Receipts on behalf of residents | | 130,142 | 104,033 |
| Amounts due to fellow subsidiaries | 17 | 49,341 | 4,734 |
| Amounts due to non-controlling shareholders of the subsidiaries | 17 | 25,715 | 30,125 |
| Amount due to an associate | 17 | 5,145 | 5,040 |
| Amount due to a joint venture | 17 | 250 | 94 |
| Tax liabilities | | 107,269 | 108,010 |
| Borrowings due within one year | 18 | 108,371 | 302,990 |
| | | 1,035,302 | 1,073,575 |

Condensed Consolidated Statement of Financial Position

At 30 June 2016

| | NOTES | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|-------|---|---|
| Net Current Assets | | 622,452 | 514,950 |
| Total Assets less Current Liabilities | | 2,043,771 | 1,645,581 |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 82,536 | 54,033 |
| Amount due to a non-controlling shareholder of a subsidiary | 17 | 740 | 816 |
| Borrowings due after one year | 18 | 439,990 | 290,000 |
| Amounts due to a fellow subsidiary | 17 | 1,452 | – |
| Corporate bonds | 19 | 100,091 | – |
| Total Non-current Liabilities | | 624,809 | 344,849 |
| Net Assets | | 1,418,962 | 1,300,732 |
| Capital and Reserves | | | |
| Share capital | 20 | 79,325 | 79,325 |
| Reserves | | 1,279,550 | 1,180,066 |
| Equity attributable to owners of the Company | | 1,358,875 | 1,259,391 |
| Non-controlling interests | | 60,087 | 41,341 |
| Total Equity | | 1,418,962 | 1,300,732 |

The condensed consolidated financial statements on pages 37 to 70 were approved and authorised for issue by the Board of Directors on 10 August 2016 and are signed on its behalf by:

Tang Xuebin
DIRECTOR

Lam Kam Tong
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

| | Attributable to owners of the Company | | | | | | | Total | Non-controlling interests | Total |
|--|---------------------------------------|----------------|-------------------|-----------------------|---------------------|-------------------|------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | Statutory reserve | Share options reserve | Revaluation reserve | Other reserve | Retained profits | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 (note) | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2015 (audited) | 79,315 | 674,797 | 21,476 | 29,780 | - | (63,362) | 329,595 | 1,071,601 | 15,663 | 1,087,264 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | 77,578 | 77,578 | 6,571 | 84,149 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | 7,796 | 7,796 |
| Issue of shares upon exercise of share option | 9 | 672 | - | (93) | - | - | - | 588 | - | 588 |
| Dividend paid to shareholders of the company (note 6) | - | (71,033) | - | - | - | - | - | (71,033) | - | (71,033) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (2,300) | (2,300) |
| Recognition of equity-settled share-based payment | - | - | - | 31,287 | - | 33 | - | 31,320 | - | 31,320 |
| Transfer | - | - | 1,957 | - | - | - | (1,957) | - | - | - |
| At 30 June 2015 (unaudited) | 79,324 | 604,436 | 23,433 | 60,974 | - | (63,329) | 405,216 | 1,110,054 | 27,730 | 1,137,784 |
| At 1 January 2016 (audited) | 79,325 | 604,515 | 31,517 | 118,114 | - | (62,072) | 487,992 | 1,259,391 | 41,341 | 1,300,732 |
| Profit for the period | - | - | - | - | - | - | 73,467 | 73,467 | 11,552 | 85,019 |
| Change in fair value of available-for-sale investment | - | - | - | - | 79,397 | - | - | 79,397 | - | 79,397 |
| Deferred taxation effect on share of change in fair value of available-for-sale investment | - | - | - | - | (19,849) | - | - | (19,849) | - | (19,849) |
| Other comprehensive income for the period | - | - | - | - | 59,548 | - | - | 59,548 | - | 59,548 |
| Profit and total comprehensive income for the period | - | - | - | - | 59,548 | - | 73,467 | 133,015 | 11,552 | 144,567 |
| Acquisition of subsidiaries (note 22) | - | - | - | - | - | - | - | - | 6,602 | 6,602 |
| Capital injection by a non-controlling Shareholder | - | - | - | - | - | - | - | - | 2,115 | 2,115 |
| Dividend paid to shareholders of the Company (note 6) | - | (84,695) | - | - | - | - | - | (84,695) | - | (84,695) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (1,523) | (1,523) |
| Granted of equity-settled share-based payment | - | - | - | 63,676 | - | - | - | 63,676 | - | 63,676 |
| Cancelled/lapsed of equity-settled share based payment | - | - | - | (12,512) | - | - | - | (12,512) | - | (12,512) |
| Transfer | - | - | 4,091 | - | - | - | (4,091) | - | - | - |
| At 30 June 2016 (unaudited) | 79,325 | 519,820 | 35,608 | 169,278 | 59,548 | (62,072) | 557,368 | 1,358,875 | 60,087 | 1,418,962 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Note: 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) Other reserve arose from the acquisitions of additional equity interests in subsidiaries and the disposals of partial equity interests in subsidiaries, which represent the difference between the consideration and the adjustment to the non-controlling interests.
- (ii) The Company recognised expense in relation to share options granted by Fantasia Holdings to eligible directors and employees of the Company and credited to other reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

| | NOTES | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| NET CASH USED IN OPERATING ACTIVITIES | | | |
| Cash used in operations | | 153,111 | (28,289) |
| Enterprise income tax ("EIT") paid | | (48,960) | (40,815) |
| | | 104,151 | (69,104) |
| INVESTING ACTIVITIES | | | |
| Decrease (increase) in pledged/restricted bank deposits | | 59,083 | (382,000) |
| Deposit paid on acquisition of subsidiaries | | (82,199) | (59,032) |
| Deposit returned acquisition of subsidiaries | | 38,000 | 66,747 |
| Consideration paid on acquisition of subsidiaries | | (78,614) | (253,165) |
| Capital injection to an associate | | – | (4,410) |
| Proceeds on disposal of property, plant and equipment | | 2,647 | – |
| Purchase of property, plant and equipment | | (32,974) | (12,872) |
| Proceeds on disposal of investment properties | | 3,966 | – |
| Purchase of financial assets designated as FVTPL | | (43,678) | – |
| Redemption of financial assets designated as FVTPL | | 7,202 | – |
| Purchase of available-for sale investment | | (50,000) | – |
| Repayment from fellow subsidiaries | | 22,050 | 3,371 |
| Advances to fellow subsidiaries | | – | (18,540) |
| Repayment from non-controlling shareholders of subsidiaries | | 28,385 | 11,362 |
| Advance to a non-controlling shareholders of a subsidiaries | | (34,131) | – |
| Repayment from related parties | | 5,311 | 336 |
| Advance to related parties | | (228) | (31) |
| Advance to an associate | | (213) | – |
| Advance to a director | | (90) | – |
| Other investing cash flows | | 3,548 | 16,149 |
| | | (151,935) | (632,085) |
| NET CASH USED IN INVESTING ACTIVITIES | | | |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

| | NOTES | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| FINANCING ACTIVITIES | | | |
| Interest paid | | (7,997) | (4,670) |
| Listing expenses paid | | (670) | (14,712) |
| Net proceeds from the issuance of bonds | | 96,877 | – |
| Loan from third parties | | 12,200 | – |
| Repayment to fellow subsidiaries | | (1,139) | (1,777) |
| Advance from fellow subsidiaries | | 15,051 | 1,235 |
| Repayment to a joint venture | | – | (94) |
| Advance from a joint venture | | 156 | 250 |
| Repayment to an associate | | – | (775) |
| Advance from an associate | | 105 | 5,942 |
| Repayment to non-controlling shareholders of the subsidiaries | | (5,876) | (6,278) |
| Advances from non-controlling shareholders of the subsidiaries | | 1,390 | 2,119 |
| Capital contribution from non-controlling shareholders | | 2,115 | – |
| Dividend paid to non-controlling shareholders of the subsidiaries of the Company | | (1,523) | (1,020) |
| Dividend paid to shareholders of the Company | | (84,695) | (71,033) |
| Repayments of bank borrowings | | (252,990) | (127,945) |
| New bank borrowings raised | | 208,361 | 477,823 |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | | (18,635) | 259,065 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (66,419) | (442,124) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 419,478 | 687,031 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | 353,059 | 244,907 |
| Represented by: | | | |
| Bank balances and cash | | 353,059 | 244,907 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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 (the Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

| | |
|--|--|
| HKFRS 14 | Regulatory Deferral Accounts |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |

The directors of the Company considered the application of the new or revised 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.

Available-for-sale investment

Equity securities held by the Group that are classified as available-for-sale financial assets (“AFS”) and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

Impairment of AFS investment

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 2016 (unaudited)

| | Property management services RMB'000 | Engineering services RMB'000 | Community leasing, sales and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--|---|------------------------------------|---|------------------------|------------------|
| External revenue | 439,448 | 64,252 | 71,443 | – | 575,143 |
| Inter-segment revenue | – | 2,425 | 2,295 | (4,720) | – |
| Segment revenue | 439,448 | 66,677 | 73,738 | (4,720) | 575,143 |
| Segment profit | 92,502 | 30,189 | 57,440 | | 180,131 |
| Changes in fair value of investment properties | | | | | 4,378 |
| Investment income of financial assets designated at FVTPL | | | | | 1,503 |
| Share of profit of associates | | | | | 338 |
| Share of profit of a joint venture | | | | | 203 |
| Finance costs | | | | | (11,211) |
| Bank interest income | | | | | 2,391 |
| Share-based payment expense | | | | | (51,164) |
| Other unallocated expense | | | | | (1,058) |
| Profit before tax | | | | | 125,511 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Six months ended 30 June 2015 (unaudited)

| | Property management services RMB'000 | Engineering services RMB'000 | Community leasing, sales and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|---|------------------------------------|---|------------------------|------------------|
| External revenue | 149,620 | 84,724 | 43,796 | – | 278,140 |
| Inter-segment revenue | – | 444 | 23 | (467) | – |
| Segment revenue | 149,620 | 85,168 | 43,819 | (467) | 278,140 |
| Segment profit | 71,968 | 45,165 | 32,540 | | 149,673 |
| Changes in fair value of investment properties | | | | | 2,099 |
| Share of results of associates | | | | | 319 |
| Share of result of a joint venture | | | | | 374 |
| Finance costs | | | | | (6,765) |
| Bank interest income | | | | | 2,537 |
| Share-based payment expense | | | | | (31,320) |
| Other unallocated expense | | | | | (531) |
| Profit before tax | | | | | 116,386 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Current tax | | |
| The People's Republic of China ("PRC") EIT | 46,162 | 38,198 |
| Republic of Singapore EIT | 238 | 164 |
| Deferred tax | (5,908) | (6,125) |
| | 40,492 | 32,237 |

5. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Staff costs | 307,254 | 80,703 |
| Amortisation of intangible assets (included in costs of sales) | 9,854 | 3,598 |
| Depreciation for property, plant and equipment | 12,853 | 4,378 |
| Minimum lease payments under operating leases in rented premises | 3,490 | 2,008 |
| Allowance for doubtful debts on trade receivables included in other gains and losses | 7,720 | 9,280 |
| Impairment loss recognised on payments on behalf of residents under commission basis included in other gains or losses | 8,281 | 14,500 |

6. DIVIDENDS

During the current interim period, a final dividend of HKD10.00 cents per share in respect of the year ended 31 December 2015 (2014: HKD9.00 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to RMB84,695,000 (2015: RMB71,033,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

7. 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 | |
|--|---|--------------------------------|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Earnings | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company) | 73,467 | 77,578 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,000,119,000 | 1,000,029,138 |
| Effect of dilutive potential ordinary shares: share options | - | 2,525,848 |
| Weight average number of ordinary shares for the purpose of diluted earnings per share | 1,000,119,000 | 1,002,554,986 |

The computation of diluted earnings per share does not assume the exercise of the share options granted by the Company during the six months ended 30 June 2016 as the exercise price is higher than the average market price of the Company's shares during the mid-year ended 30 June 2016.

8. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the current interim period are summarised as below:

| | Total RMB'000 |
|---------------------------------------|-------------------------|
| At 1 January 2016 | 167,099 |
| Additions | 24,491 |
| Acquisition of subsidiaries (note 22) | 304 |
| Depreciation for the period | (12,853) |
| Eliminated on disposal | (3,524) |
| At 30 June 2016 | 175,517 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

9. INVESTMENT PROPERTIES

| | Total RMB'000 |
|---|-------------------------|
| At 1 January 2016 | 88,804 |
| Additions | 4,833 |
| Net increase in fair value recognised in profit or loss | 4,378 |
| Disposal | (3,966) |
| <hr/> | |
| At 30 June 2016 | 94,049 |

The fair values of the Group's investment properties at 30 June 2016 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. 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 2016 represent the purchase of residential units, which are held under medium-term lease in PRC.

10. AVAILABLE-FOR-SALE INVESTMENT

AFS investment represents the Group's investment in listed equity security issued by 深圳市美易家商務服務集團股份有限公司, Shenzhen Home E&E Commercial Services Group Co., Ltd. ("Home E&E"), a fellow subsidiary of the Company, which is listed on National Equities Exchange and Quotations ("NEEQ") of Shenzhen Stock Exchange ("SZSE") and primarily engaged in property management, asset operation and management and the relevant value added services for commercial properties in the PRC. The investment represented 4.2% holding of issued ordinary shares of Home E&E and is measured at fair value, which is determined based on the quoted market bid price available on NEEQ.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. TRADE RECEIVABLES

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|------------------------------------|---|---|
| Trade receivables | 266,354 | 184,594 |
| Retention receivables | 4,324 | 3,880 |
| Invoice to be issued | 15,641 | 13,062 |
| | 286,319 | 201,536 |
| Less: allowance for doubtful debts | (22,707) | (14,987) |
| Total trade receivables | 263,612 | 186,549 |
| Classified as: | | |
| Non-current | 8,990 | 7,199 |
| Current | 254,622 | 179,350 |
| | 263,612 | 186,549 |

The following is an aging analysis of gross trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to 深圳市彩之家房地產策劃有限公司, Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia"), of which the invoice date represented the payment due date:

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|-----------------|---|---|
| 0 to 30 days | 77,034 | 81,728 |
| 31 to 90 days | 62,332 | 36,922 |
| 91 to 180 days | 51,518 | 26,453 |
| 181 to 365 days | 48,168 | 33,280 |
| Over 1 year | 27,302 | 6,211 |
| | 266,354 | 184,594 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

12. OTHER RECEIVABLES AND PREPAYMENTS

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|---|---|
| Other deposits | 32,001 | 16,330 |
| Advance to staff | 31,609 | 25,760 |
| Prepayment for suppliers | 25,314 | 14,325 |
| Receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia | 9,970 | 2,430 |
| Payment on behalf of residents for residential communities under lump sum basis | 26,089 | 22,356 |
| Payment on behalf of residents for residential communities under consultancy services arrangements | 29,592 | 24,186 |
| Receivables from former shareholders of certain subsidiaries | 4,172 | 5,181 |
| Others | 10,938 | 7,147 |
| | 169,685 | 117,715 |
| Classified as: | | |
| Non-current | 6,681 | 5,964 |
| Current | 163,004 | 111,751 |
| | 169,685 | 117,715 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES, RELATED PARTIES, AN ASSOCIATE AND A DIRECTOR

At the end of the reporting period, the Group has the following significant balances due from related parties:

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|--------------------------------------|---|---|
| Amounts due from fellow subsidiaries | | |
| Non-trade nature | 2,413 | 24,463 |
| Trade nature | 12,553 | 22,085 |
| | 14,966 | 46,548 |

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

The following is an aging analysis of trade balances due from fellow subsidiaries presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|-----------------|---|---|
| 0 to 30 days | 4,510 | 911 |
| 31 to 90 days | 7,101 | 938 |
| 91 to 180 days | 942 | 1,483 |
| 181 to 365 days | – | 17,590 |
| Over 1 year | – | 1,163 |
| | 12,553 | 22,085 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES, RELATED PARTIES, AN ASSOCIATE AND A DIRECTOR (Continued)

Aging of past due but not impaired trade amounts due from fellow subsidiaries

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|-----------------|---|---|
| 61 to 90 days | 3,542 | – |
| 91 to 180 days | 942 | 1,483 |
| 181 to 365 days | – | 17,590 |
| Over 1 year | – | 1,163 |
| | 4,484 | 20,236 |

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|---|---|
| Amounts due from non-controlling shareholders of the subsidiaries | 75,934 | 46,422 |
| Amounts due from related parties | 2,145 | 7,228 |
| Amounts due from an associate | 1,318 | 1,105 |
| Amount due from a director | | |
| Non-current | 78 | – |
| Current | 12 | – |
| | 90 | – |

The balance with a director is the housing loan amounting to RMB 90,000 granted to Mr. Tang Xuebin by the Group. The housing loan bears an interest of 5.4% per annum and would be repaid in 10 years. Based on the terms of the housing loans agreement, the amount of RMB 12,000 to be repaid in 1 year is classified as current asset and the amount of RMB 78,000 to be repaid after 1 year is classified as non-current asset.

Except for the above amount due from a director, the remaining balances with fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties and an associate, they are non-trade nature, unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

14. FINANCIAL ASSETS DESIGNATED AT FVTPL

Financial assets designated at FVTPL includes a) money market funds investment issued by a reputable securities corporation and b) debts invested through an online platform owned by 深圳市彩付寶網絡有限公司, Shenzhen Colour Pay Network Technology Co., Ltd., a related company controlled by a director of the Company.

The return and principal of money market funds investment were not guaranteed by the securities corporation and the value of the funds varies by reference to the performance of the underlying investments mainly comprising debt investments in PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits. The return and principal of debt investments were guaranteed by 深圳市合和年投資諮詢有限公司, Shenzhen Hehenian Investment Consulting Co., Ltd. ("Shenzhen Hehenian"), a fellow subsidiary of the Company and the value of the debt investments varies by reference to the performance of the underlying investments mainly comprising corporate bonds and personal debts in PRC.

The investments as above have been designated at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis. As at 30 June 2016, the principal of the investments are RMB57,179,000 (2015: RMB19,200,000). In the opinion of directors, the fair value of investment at 30 June 2016 approximated to their principal amount.

15. TRADE PAYABLES

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|----------------|---|---|
| Trade payables | 97,082 | 80,231 |

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

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|--------------|---|---|
| 0–60 days | 74,226 | 60,805 |
| 61–180 days | 11,054 | 9,367 |
| 181–365 days | 2,687 | 6,574 |
| Over 1 year | 9,115 | 3,485 |
| | 97,082 | 80,231 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

16. OTHER PAYABLES AND ACCRUALS

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|--|---|---|
| Receipts on behalf of residents for residential communities under lump sum basis | 41,890 | 50,181 |
| Receipts on behalf of residents for residential communities under consultancy service arrangements | 13,460 | 3,367 |
| Accrued listing expenses | – | 670 |
| Advances from customers | 99,431 | 78,837 |
| Deposits received | 58,278 | 41,217 |
| Other tax payable | 49,903 | 47,843 |
| Rental payable | 1,705 | 1,745 |
| Accrued staff costs | 54,512 | 58,559 |
| Provision for retirement benefit contributions | 62,280 | 60,998 |
| Other payables and accruals | 40,752 | 33,609 |
| Consideration payables for acquisition of subsidiaries | 60,851 | 44,151 |
| Loan from third parties (note) | 12,200 | – |
| | 495,262 | 421,177 |

Note: In June 2016, the Group entered into (a) a loan agreement with its customer 深圳市龍興世紀投資有限公司, Shenzhen Longxing Century Investment Co., Ltd. ("Shenzhen Longxing") for obtaining a loan of RMB10,700,000 for a period of two months from 28 June 2016 to 28 August 2016. According to the agreement entered into between the Group and Shenzhen Longxing, the amount is unsecured, interest-bearing at 10% per annum over the financing period, (b) a loan agreement with its supplier 深圳市正嘉傑科技有限公司, Shenzhen Zhengjiajie Technology Co., Ltd., for obtaining a loan of RMB1,500,000 for one month from 27 June 2016 to 27 July 2016. The loan is unsecured, interest-free and has been repaid on 7 July 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17 AMOUNTS DUE TO FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE

At the end of the reporting period, the Group has the following significant balances due to related parties:

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|------------------------------------|---|---|
| Amounts due to fellow subsidiaries | | |
| Non-trade nature | 18,646 | 4,734 |
| Trade nature | 32,147 | – |
| | 50,793 | 4,734 |
| Amounts due to fellow subsidiaries | | |
| Non-current | 1,452 | – |
| Current | 49,341 | 4,734 |
| | 50,793 | 4,734 |

For the trade balances due to fellow subsidiaries, they are mainly prepayment for pre-sales services and engineering services.

The aging of trade balances due to fellow subsidiaries is from 0 to 30 days based on the invoice date at the end of the reporting period.

During the current interim period, the Group borrow RMB2,000,000 from 深圳市前海花樣年金融服務有限公司, Shenzhen Qianhai Fantasia Financial Services Co., Ltd., a fellow subsidiary of the Group to purchase its equipment. The loan bears interest of 13.18% per annum and matures on 15 June 2021. The loan is joint guaranteed by a non-controlling shareholder of the subsidiary and an independent third party.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17 AMOUNTS DUE TO FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF THE SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE (Continued)

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|---|---|
| Amounts due to non-controlling shareholders of the subsidiaries | | |
| Non-current | 740 | 816 |
| Current | 25,715 | 30,125 |
| | 26,455 | 30,941 |
| Amount due to an associate | 5,145 | 5,040 |
| Amount due to a joint venture | 250 | 94 |

The amount due to Mu Xiaoming, a non-controlling shareholder of RMB979,000 (2015: RMB1,055,000) is non-trade in nature, unsecured, bears interest of 8.9% per annum and matures during the year ending 31 December 2020.

Except for the above amounts, the remaining amounts due to the above related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. BORROWINGS

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|---|---|
| Secured bank loans | 489,990 | 542,990 |
| Unsecured bank loans | 58,371 | 50,000 |
| | 548,361 | 592,990 |
| Variable rate borrowing | 498,361 | 592,990 |
| Fixed-rate borrowings | 50,000 | – |
| | 548,361 | 592,990 |
| Carrying amounts repayable: | | |
| Within one year | 108,371 | 302,990 |
| More than one years, but not exceeding two years | 180,000 | – |
| More than two years, but not exceeding five years | 259,990 | 290,000 |
| | 548,361 | 592,990 |
| Less: Amounts due within one year shown under current liabilities | (108,371) | (302,990) |
| Amount shown under non-current liabilities | 439,990 | 290,000 |

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements. All bank borrowings are denominated in RMB.

The ranges of effective interest rates and contracted interest rates on the Group's borrowings are as follows:

| | 30 June 2016 (Unaudited) | 31 December 2015 (Audited) |
|--|---|----------------------------------|
| Variable-rate borrowings | | |
| Benchmark Rate | + 0.46% to + 0.87% | + 0.49% to + 0.97% |
| Benchmark Deposit Rate of the People's Bank of China | + 1.80% | + 1.80% |
| Interbank Offered Benchmark Rate | + 1.36% | – |
| Fixed-rate borrowings | 3.45% | – |

Notes to the Condensed Consolidated Financial Statements

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19. CORPORATE BONDS

On 29 January 2016, 深圳市彩生活服務集團有限公司, Shenzhen Colour Life Services Group Co., Ltd., a wholly-owned subsidiary of the Company, issued domestic corporate bonds in aggregate principal amount of RMB100,000,000 ("Corporate Bonds").

The Corporate Bonds are secured by 花樣年集團(中國)有限公司, Fantasia Group (China) Co., Ltd., a fellow subsidiary of the Company, carrying a nominal interest at rate of 6.7% per annum and interest is payable annually, commencing on 29 January 2016. The issue price is 98.8% of the principal. The effective interest rate is 7.91% per annum. The Corporate Bonds will mature on 28 January 2019.

The movements of the bonds during the current interim period are set out below:

| | RMB'000 |
|--------------------------------------|---------|
| At 1 January 2016 (audited) | – |
| Net proceeds on the date of issuance | 96,877 |
| Interest expenses | 3,214 |
| <hr/> | |
| At 30 June 2016 (unaudited) | 100,091 |

20. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|-----------------------|--------------------|
| Ordinary shares of HK\$0.1 each | | |
| Authorised | | |
| 1 January 2016 and 30 June 2016 | 50,000,000,000 | 5,000,000 |
| <hr/> | | |
| Issued and fully paid | | |
| At 1 January 2016 and 30 June 2016 | 1,000,119,000 | 100,012 |
| Shown in the condensed financial statement | | 79,325 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. SHARE OPTION SCHEMES

The following table discloses movements of the Company's share options held by directors, employees and non-controlling shareholders of certain subsidiaries during the period ended 30 June 2016:

| Category of grantees | Date of grant | Vesting period | Outstanding at 1 January 2016 '000 | Granted during the period '000 | Cancelled/lapsed during the period '000 | Exercised during the period '000 | Outstanding at 30 June 2016 '000 |
|--|-------------------|-----------------------|---------------------------------------|-----------------------------------|--|-------------------------------------|-------------------------------------|
| Directors | 29 September 2014 | N/A | 560 | - | - | - | 560 |
| | | 29/9/2014 – 28/9/2015 | 1,270 | - | - | - | 1,270 |
| | | 29/9/2014 – 28/9/2016 | 1,270 | - | - | - | 1,270 |
| | 30 April 2015 | 29/9/2014 – 28/9/2017 | 711 | - | - | - | 711 |
| | | 30/4/2015 – 29/4/2016 | 477 | - | - | - | 477 |
| | | 30/4/2015 – 29/4/2017 | 477 | - | - | - | 477 |
| | 18 March 2016 | 30/4/2015 – 29/4/2018 | 476 | - | - | - | 476 |
| | | 18/3/2016 – 17/3/2017 | - | 487 | - | - | 487 |
| | | 18/3/2016 – 17/3/2018 | - | 487 | - | - | 487 |
| | | 18/3/2016 – 17/3/2019 | - | 486 | - | - | 486 |
| | | | 5,241 | 1,460 | - | - | 6,701 |
| Employees and non-controlling shareholders of certain subsidiaries | 29 September 2014 | N/A | 5,680 | - | (42) | - | 5,638 |
| | | 29/9/2014 – 28/9/2015 | 12,660 | - | (718) | - | 11,942 |
| | | 29/9/2014 – 28/9/2016 | 12,660 | - | (718) | - | 11,942 |
| | 30 April 2015 | 29/9/2014 – 28/9/2017 | 6,859 | - | (678) | - | 6,183 |
| | | 30/4/2015 – 29/4/2016 | 7,795 | - | (532) | - | 7,262 |
| | | 30/4/2015 – 29/4/2017 | 7,795 | - | (532) | - | 7,262 |
| | 18 March 2016 | 30/4/2015 – 29/4/2018 | 7,794 | - | (533) | - | 7,261 |
| | | 18/3/2016 – 17/3/2017 | - | 10,929 | (318) | - | 10,611 |
| | | 18/3/2016 – 17/3/2018 | - | 10,929 | (318) | - | 10,611 |
| | | 18/3/2016 – 17/3/2019 | - | 10,929 | (319) | - | 10,610 |
| | | | 61,243 | 32,787 | (4,708) | - | 89,322 |
| Total | | | 66,484 | 34,247 | (4,708) | - | 96,023 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

21. SHARE OPTION SCHEMES (Continued)

For share options granted during the current interim period, the closing price of the shares on the date of grant was HK\$5.76 on 18 March 2016. Binomial Option Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

| | 18 March 2016 |
|-------------------------|----------------------|
| Market price | HK\$5.76 |
| Exercise price | HK\$5.76 |
| Expected volatility | 46.20% |
| Risk-free rate | 1.27% |
| Expected dividend yield | 1.55% |

The Group recognised the total expense of RMB51,164,000 for the period ended 30 June 2016 (2015:RMB31,287,000) in relation to share options granted by the Company.

22. ACQUISITIONS OF SUBSIDIARIES

| Name of subsidiaries acquired | Place of establishment/ incorporation | Acquisition in | Equity interest acquired | Consideration RMB'000 |
|---|--|-----------------------|-------------------------------------|---------------------------------|
| 婁底市和園物業服務有限公司 Loudi Heyuan Property Service Co., Ltd. | PRC | January | 51% | 300 |
| 襄陽美溢達物業服務有限公司 Xiangyang Meiyida Property Service Co., Ltd. | PRC | January | 80% | 3,600 |
| 包頭市眾聯行物業服務有限公司 Baotou Zhonglianhang Property Service Co., Ltd. | PRC | January | 80% | 3,580 |
| 寧夏藍山之家物業服務有限公司 Ningxia Lanshanzhijia Property Service Co., Ltd. | PRC | February | 80% | – (note) |
| 合浦縣南珠物業服務有限責任公司 Hepu Nanzhu Property Service Co., Ltd. | PRC | April | 80% | 8,000 |
| 連雲港市鴻鑫物業管理有限公司 Lianyungang Hongxin Property Management Co., Ltd. | PRC | April | 70% | 3,000 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. ACQUISITIONS OF SUBSIDIARIES (Continued)

| Name of subsidiaries acquired | Place of establishment/ incorporation | Acquisition in | Equity interest acquired | Consideration RMB'000 |
|--|--|----------------|-----------------------------|--------------------------|
| 長沙美景物業管理有限公司 Changsha Meijing Property Management Co., Ltd. | PRC | April | 70% | 5,000 |
| 重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd. | PRC | June | 87% | 81,749 |
| 成都嘉迅物業管理有限公司 Chengdu Jiaxun Property Management Co., Ltd. | PRC | June | 100% | 12,104 |

Note: The consideration was less than RMB1,000.

The principal activities of acquired subsidiaries are engaged in provision of property management services and the objectives of acquisitions is expansion of property management service.

All the acquisitions were acquired from independent third parties.

Consideration transferred

| | 30 June 2016 RMB'000 (Unaudited) |
|--|---|
| Cash consideration | 51,288 |
| Deposit paid in prior years | 8,900 |
| Consideration payable due within one year included in other payables | 57,145 |
| | 117,333 |

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the condensed consolidated statements of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Assets accrued and liabilities recognised at the dates of acquisition are as follow:

| | 30 June 2016 RMB'000 (Unaudited) |
|---|---|
| Property, plant and equipment | 304 |
| Intangible assets | 42,244 |
| Trade receivables | 31,739 |
| Other receivables and prepayments | 4,593 |
| Payments on behalf of residents | 1,335 |
| Amounts due from certain subsidiaries of the Company | 3,925 |
| Amounts due from non-controlling shareholders of the subsidiaries | 23,766 |
| Bank balances and cash | 13,119 |
| Trade payables | (6,710) |
| Other payables and accruals | (31,800) |
| Receipts on behalf of residents | (15,637) |
| Amounts due to certain subsidiaries of the Company | (3,374) |
| Tax liabilities | (1,819) |
| Deferred tax liabilities | (10,562) |
| | 51,123 |

The trade and other receivables acquired with as gross contractual of RMB65,358,000 as at the date of acquisition during the period ended 30 June 2016, are approximate to its fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. ACQUISITIONS OF SUBSIDIARIES (Continued)

Goodwill arising on acquisitions

| | 30 June 2016 RMB'000 (Unaudited) |
|--|---|
| Consideration transferred | 117,333 |
| Add: non-controlling interests | 6,602 |
| Less: fair value of net identifiable assets acquired | (51,123) |
| <hr/> | |
| Goodwill arising on acquisitions | 72,812 |

For the period ended 30 June 2016, intangible assets of RMB42,244,000 in relation to the acquisition of subsidiaries under property management segment have been recognised by the Group.

None of the goodwill arising on the acquisitions during the years ended 30 June 2016 are expected to be deductible for tax purposes.

Net cash outflows arising on acquisitions

| | 30 June 2016 RMB'000 (Unaudited) |
|---|---|
| Cash consideration paid in current period | (51,288) |
| Bank balances and cash acquired | 13,119 |
| <hr/> | |
| | (38,169) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

23. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments in respect of investment properties under non-cancellable operating leases which fall due as follows:

| | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Within one year | 49,638 | 44,646 |
| In the second to fifth year inclusive | 84,926 | 91,939 |
| After five years | 2,084 | 236 |
| | 136,648 | 136,821 |

The Group as lessee

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

| | 30 June 2016 RMB'000 | 31 December 2015 RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Within one year | 45,157 | 5,190 |
| In the second to fifth year inclusive | 164,026 | 5,877 |
| After five years | 403,809 | – |
| | 612,992 | 11,067 |

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For the six months ended 30 June 2016

24. CAPITAL COMMITMENTS

| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) |
|---|---|---|
| Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements | 103,207 | 84,556 |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | 6,340 | 3,695 |
| Consideration committed in respect of capital expenditure in respect of the acquisition of property, plant and equipment authorised but not yet contracted | 31,191 | 39,575 |

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair values are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

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25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Except for the following financial assets and financial liabilities, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

| | Fair value as at | | Fair value hierarchy |
|---|--|--|----------------------|
| | 30 June 2016 RMB'000 (Unaudited) | 31 December 2015 RMB'000 (Audited) | |
| Equity securities listed in the PRC classified as available-for-sale investment | 129,397 | – | Level 1 |
| Financial assets designated at FVTPL | 49,278 | 19,200 | Level 2 |
| Financial assets designated at FVTPL | 7,227 | – | Level 3 |
| Corporate bonds | 98,276 | – | Level 3 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. RELATED PARTY DISCLOSURES

(a) Related party transactions

Apart from the related party transactions 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 | |
|---|---------------------------------|-------------|
| | 2016 | 2015 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Engineering services income | | |
| Fellow subsidiaries | 12,783 | 17,377 |
| An associate: | | |
| 深圳市越眾物業管理有限公司 | | |
| Shenzhen Yuezhong Property Management Co., Ltd. | 211 | – |
| Pre-sales services income | | |
| Fellow subsidiaries | 3,873 | 6,332 |
| Sales assistance service fee income | | |
| An entity controlled by Mr. Pan Jun: | | |
| 惠東縣大亞灣三角洲俱樂部有限公司 | | |
| Huidong Dayawan San Jiao Zhou Co., Ltd. | 585 | – |
| A fellow subsidiary: | | |
| 深圳市合和年投資諮詢有限公司 | | |
| Shenzhen Hehenian | 12,941 | – |
| Interest expense | | |
| A non-controlling shareholder: | | |
| Mu Xiaoming | 85 | 73 |
| Interest income | | |
| A director of the Company: | | |
| Tang Xuebin | 2 | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel

The remuneration of key management personnel during the interim period were as follows:

| | Six months ended 30 June | |
|------------------------------|--------------------------------|--------------------------------|
| | 2016 RMB'000 (Unaudited) | 2015 RMB'000 (Unaudited) |
| Short-term employee benefits | 7,672 | 4,520 |
| Post-employment benefits | 33 | 20 |
| Share-based payments | 13,693 | 5,563 |
| | 21,398 | 10,103 |



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