Colour Life Services Group Co., Limited

SERVICE TO YOUR FAMILY

2016 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Xuebin
(Chief Executive Officer)
Mr. Dong Dong

Non-executive Directors

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

Independent Non-executive Directors

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

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. Chak Wai Ting

AUTHORISED REPRESENTATIVES

Mr. Tang Xuebin
Ms. Chak Wai Ting

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1778

COMPANY'S WEBSITE

www.colourlife.hk

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

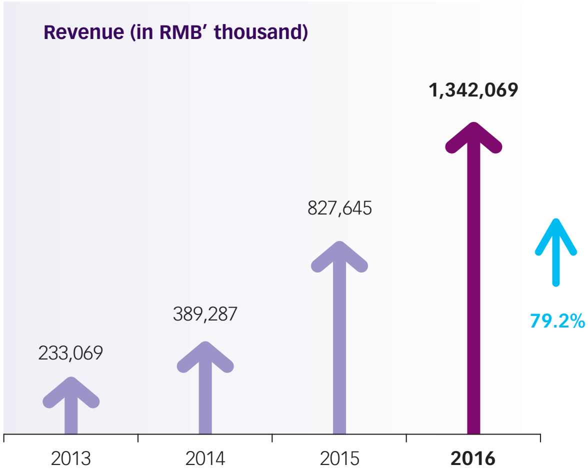
HONG KONG BRANCH SHARE REGISTRAR

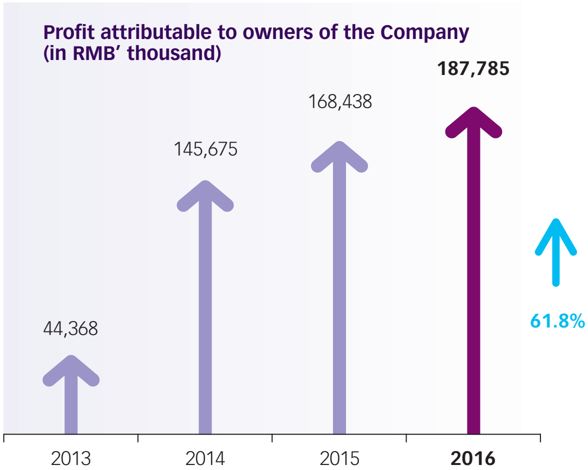
Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

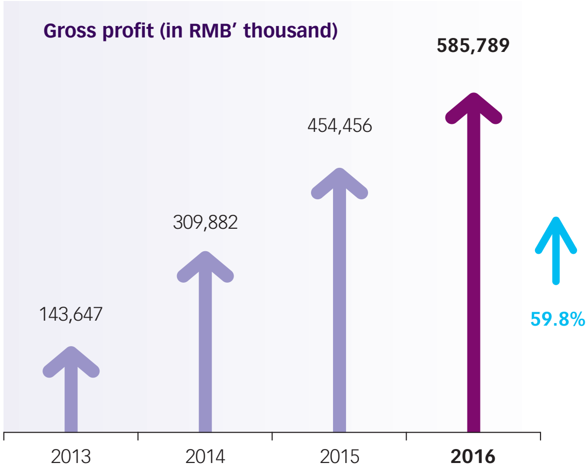
PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

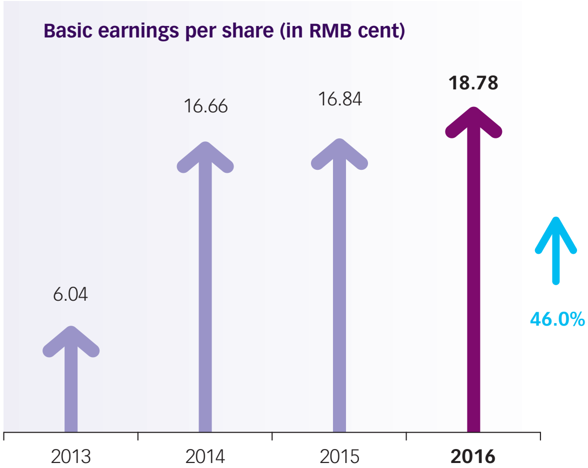
Bank of China Limited
Industrial and Commercial Bank of
China Limited

Financial Highlights









	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue	233,069	389,287	827,645	**1,342,069**
Gross profit	143,647	309,882	454,456	**585,789**
Profit attributable to owners of the Company	44,368	145,675	168,438	**187,785**
Basic earnings per share *(RMB cents)*	6.04	16.66	16.84	**18.78**
Total assets	494,467	1,599,731	2,719,156	**4,022,608**
Total liabilities	310,764	512,467	1,418,424	**2,490,136**
Bank balances and cash	146,113	687,031	419,478	**754,837**

Honors and Awards

1. In April 2016, Colour Life Services Group Co., Limited (the "Company", with its subsidiaries the "Group") was honoured as the "2016 China TOP10 Property Management Companies in terms of Comprehensive Strength" by China Property Management Institute (中國物業企業協會) and China Index Academy (中國指數研究院).

2. In June 2016, the Group was honoured as the "2016 TOP100 Property Management Companies of China" by China Property Management Institute and China Index Academy.

3. In June 2016, the Group was honoured as the "2016 China Top 10 Property Management Companies in terms of Growth Potential" by China Property Management Institute and China Index Academy.

4. In June 2016, the Group was honoured as the "2016 China Specialized Property Service Company — Intelligent Community" by China Property Management Institute and China Index Academy.

5. In June 2016, the Group was honoured as the "2016 China Top 10 Property Management Companies in terms of Business Size" by China Property Management Institute and China Index Academy.

6. 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.

7. In January 2017, the Group was awarded the Most Promising Listed Company in the "2016 China Financial Market Listed Companies Awards" organized by the financial magazine China Financial Market.

8. In January 2017, the Group was awarded the Best Listed Company in terms of market capitalization managed in the "2016 Hong Kong Stocks Awards" hosted by a top financial media in China, Zhitongcaijing.

9. In September 2016, the Group was honoured as the "2016 China Property Management Companies with Leading Brand in Market-oriented Operation" by China Index Academy.

Honors and Awards

10. In January 2016, Shenzhen Colour Life Property Management Co., Ltd. (the company, together with its subsidiaries referred to "Shenzhen Colour Life Property Management"), a wholly-owned subsidiary of the Group, was honoured as the "Outstanding Contributor" by Shenzhen Property Management Association.

11. In June 2016, Shenzhen Colour Life Property Management was honoured as the "2015 Shenzhen Top 50 Property Management Companies in terms of Comprehensive Strength" by Shenzhen Property Management Association.

12. In June 2016, Shenzhen Colour Life Property Management was honoured as the "Top 30 Shenzhen Index (Sampling survey)" in the "2015 Owner Satisfaction in Property Management" by Shenzhen Property Management Association.

13. In April 2016, Shenzhen Colour Life Property Management was honoured as the "2015 Golden Award for Properties in China" by China Property Management Institute and China Real Estate Association.

14. In December 2016, the "錦上花家園" managed by the Group was honoured as the "Five-star Communities with Property Services in 2016" by China Index Academy.

In February 2016, the Group expanded its presence to Suizhou City.

In February 2016, the Group entered into a strategic cooperation with Henan Xuchang Yihe Property Limited* (河南許昌億合置業有限公司) in respect of the Colour Life Property Project.

In April 2016, the Group expanded its presence to cities including Hulunbuir, and Neijiang.

In May 2016, the Group expanded its presence to cities including Fuquan and Duyun.

In May 2016, E-House keeping, the product company within the ecosystem, entered strategic cooperation agreements with Caizhiyun platform and E-Master respectively. Product companies within the ecosystem made further progress in their compound development.

In May 2016, the Group entered a strategic cooperation with Xuchang Yongda Group* (許昌永達集團) in respect of the "Nursing home for the Well-being of the Elderly in Huadu Spa Town (for demonstration purpose) under the Colour Life Property Project.

In June 2016, the Group expanded its presence into cities including Enshi, Zhangping, Pingliang and Xingyang.

In June 2016, the Group officially launched the ecosystem strategy and the ceremony for signing contracts in relation to the platform cooperation, marking the start of strategic phase of ecosystem in full construction mode for the Colour Life.

In June 2016, the Group held the press conference for Version 3.3 of Caizhiyun platform and its second anniversary of listing celebration.

In July 2016, the Group expanded its presence into cities including Ruijin, Ulanqab and Meizhou.

In July 2016, the Group entered cooperation agreement with Haitang Investment Group* (海唐投資集團) in Taiyuan, Shanxi, working together to create the "Community+" ecosystem.

In July 2016, Shanghai Colour Life Times Plaza launched the fund-raising conference in Shanghai to build the E+ Theme Commercial Centre.

In August 2016, the Group expanded its presence into cities including Weifang, Baoji and Wenchang.

In August 2016, the Group entered a cooperation agreement with the Jinshi Xintiandi (津市新天地) in respect of the Colour Life Property Project.

In August 2016, the Group published a joint announcement with Fantasia Holdings Group Co., Limited, its parent company, to announce the acquisition and merger of the Wanda Property Management Co., Ltd*. (萬達物業管理有限公司).

In September 2016, the Group expanded its presence into cities including Bazhong, Leshan and Emeishan.

In September 2016, the Group entered a cooperation agreement with Lizhou Impression Developer* (澧州印象開發商) in relation to the Colour Life Property Project.

2016 Milestone of Business Development

In October 2016, the Group held the incubation entrepreneurship forum featuring the theme of "Create ecosystem in joint hands and share the future delight" and anchoring ceremony of living ecosystem in Changsha.

In November 2016, the Group held a ceremony for signing cooperation contract with Shanghai Yinwan Life Network Co., Ltd.* (上海銀灣生活網絡股份有限公司), launching the new output model for Caizhiyun platform and released the Version 3.5 of Caizhiyun APP.

In November 2016, the Group officially launched the strategic cooperation with the government of Jingchuan County and held the "Internet + Jingchuan Apple" forum.

In November 2016, the Group organised the theme forum of "Development Paths for Intelligent Community Ecosystem" sponsored by the China Property Management Institute in Guangzhou.

In December 2016, the Group expanded its presence into cities including Qianjiang and Wuzhou.

In December 2016, the Group entered into a strategic cooperation with Anhui GOOCOO Group* (安 徽 國 購 集 團) in respect of the Colour Life Property Project.

WORKING ENVIRONMENT

Colour Life Services Group Co., Limited (the "Company", with its subsidiaries, the "Group", "we" or "us") is dedicated to employee development by providing them with incentives based on their performance and contribution. The Group has a fair and open incentive award scheme whereby the remuneration structure and package will be reviewed annually to ensure the remuneration is fair and competitive. The Group provided full social insurance, provident fund and accident insurance for its employees, and established a share option scheme and a share award scheme. The employees can also enjoy various products and services discounts from the Group's business partners, thereby enhancing a sense of belonging to the Group.

The Group has strictly complied with relevant standard and there was no material non-compliance event in 2016.

HEALTH AND SAFETY

The Group has adopted a people-oriented principle and endeavored to maintain a healthy and safe workplace for its employees. As a community services operator, the Group has a low safety risk profile, but potential injury hazards from slips, trips and falls for frontline staffs remain. The Group therefore, great importance on the issue of health and safety.

1. The Group has established a dedicated staff relations and offsite replication department under the human resource center for the centralised management and control of all kinds of safety accidents from divisions around the country. The department is established to monitor health and safety performance, and to report to the board (the "Board") of directors (the "Directors") of the Company on hazards and unsafe practices in a timely manner. Once a health and safety incident happens, the department would be informed immediately so as to take all necessary actions. Subsequent to the accident, all divisions will be informed after conducting investigation of the causes behind this accident and taking all safety precautions, with the aim to eliminate potential safety hazard. The Group organises regular fire drills and commences safety inspection in the community, as well as imbues a safety mindset and enhances emergency response and self-rescue capacity among employees. The staff relations and offsite replication department has always kept contact with all divisions to monitor and examine the implementation of health and safety regulations by each division, with a view to maintain a better work safety protection and environment.

2. The Group places much emphasis on safe and healthy work for employees. The Group puts resources in safety and health measures every year, which are used for improving working condition, providing labour protection facilities and supplies and organising regular education and training regarding safety and health for its staff. The Group strictly implements "5S Management Provisions" in the offices and builds up a healthy and comfortable working environment.

3. The Group has strictly complied with relevant standard and there was no material non-compliance event in 2016.

DEVELOPMENT AND TRAINING

Talent is of top priority for corporate development. In 2016, the Group continued to allocate resource on training, especially for existing officers and department managers. The management members were improved in the aspects of internet thinking, service consciousness and execution capability through concentrated training, divisional training and online and offline assessment. Meanwhile, the ratio of practical training and tutorial was progressively adjusted to 7:3, with a view to realizing and transforming the model of Colour Life into practically efficient action.

In addition, Colour Life strived to push forward the industrial upgrading and development. We played our role and made contributions to the goal of "Collective Growth of the Industry (衆行遠)" for the property sector by organizing a number of trainings on internet-based transformation of the property industry and hosting industrial forum on "Development Trend of the Ecosystems of Intelligent Community".

RECRUITMENT AND PROMOTION

The Group prepared a set of staff recruitment standards and position manuals, and recruited staff according to personal capability of candidates. The Group trained talents regardless of their gender, age and religious belief. The Group offers equal opportunities to all employees and job applicants. Staff of the Group ranged in age from 20 to over 60, with the majority of around 61% aged between 20 and 40;

1. In 2016, the Group underwent reform through online transformation, as its own recruitment platform was set up which allowed effective intra-company sharing of information on candidates and enhanced recruitment efficiency greatly. The Group set great store by the introduction of talents and employed multiple talents of the industry from related sectors in 2016 in order to assist the development of the Group.

2. The "Caizijiaren" (彩子家人) Plan was set up. Talks and recruitment fairs were held in key schools and educational institutions across the country, which attracted numerous college and university graduates of high calibre to join the Group, injecting a sense of newness to the development of the Group. The average age of the staff became younger as a result of effective staff composition adjustment.

3. The Group has strictly complied with relevant standard and there was no material non-compliance event. The Group is against employing forced labour or child labour.

REMUNERATION AND BENEFITS

In an effort to allow employees to share the fruits yielded from the Group's development, the "Virtual Partnership" system launched in 2015 will be further implemented in 2016. Under the Virtual Partnership system, whereby each segment of the Group is divided into a virtual company, where individual employees can enjoy a share of profits according to the proportion of shares deemed to be held by the employee when the segment the employee belongs to has yielded profits or bonus. The bonus share of profit is paid in addition to the basic wages and salaries of the employees. Through the Virtual Partnership system, the Group hopes to incentivise the employees to gain profits with integrity by taking active initiative in their work.

On 18 March 2016, the Company granted 34,247,488 share options, of which 1,460,000 were granted to nine Directors and 32,787,488 were granted to certain employees of the Group and certain minority shareholders of the Company's subsidiaries. The grant of share options was significant in that a relatively large portion of the share options was granted to employees in mid-level to high-level management and certain low-level employees with excellent performance. Employees' benefits were greatly enhanced and their initiative was given a powerful boost.

The Company also adopted a share award scheme with a size of RMB10.0 million during the year. Through share purchases and grant, mid-level and senior management officers with outstanding performance are awarded and recognised for their valuable contribution to the Group.

ENERGY MANAGEMENT

In 2016, the Group continued to push for implementation of energy-saving projects, construction of solar generators and heating supply, energy conservation, chargers for electric cars, desalination and rainwater harvesting, water reuse. At the same time, it created a unique platform for the management and control of green energy and popularised internet prepayment of water and electricity charge. The Group applied various energy-saving projects to make improvements in energy consumption, income stream expansion and cost reduction. Such results were widely recognised by property owners and customers and served as a strong driver for the rapid increase in profitability of the Group, which are detailed as followings:

1. Improved energy data management efforts. The Group implemented centralise control for energy income and expense in property zone under its management to balance the input and output in energy operation and management. The improvements clarify cash flows and provided sustained coverage for the management efforts. Through internet tools and based on the concept of big data, data are collected and analysed for a survey on energy consumption record and an analysis on consumption pattern and causes of consumption spike. With a boost for traditional management experience with upgrade and creativity, and refinement for each management process, the Group strives for constant progress in energy operation management efforts toward its objectives, standardisation of work subjects and establishment of industry standards.

2. Key-pad prepayment energy meter. Users of an upgraded internet prepayment electricity meter may recharge with the payment pad, resulting in enhanced work efficiency and reduced procedures for recharge. It also improves and expands relevant supplementary service functions, such as balance reminder, past electricity consumption notice, etc. With regard to property management, prepayment of electricity charge minimises the inconvenience caused by electricity suspension due to payment default by users. Other technical methods are adopted to assist the management of other charges, thereby increasing their collectability.

3. Establishing a cloud energy management platform. It is designed for the centralised energy management among various projects of the Group, covering the comprehensive management of different forms of energy, including electricity, water, heating and gas supply. Apart from energy consumption by items displayed in key performance indicators and energy consumption analysis of equipment and potential energy-saving solutions, the cloud energy management platform provides services on a delegated manner characterised by low initial investment, strong data processing capability, quick system configuration and friendly interface. It intuitively displays real-time consumption in a building and allows users to develop a solid understanding of the benefits of energy conservation to the society.

4. Demonstration of technological achievements. In 2016, the Group and Huanan Institute of Zhejiang University established an energy institute, which developed WiFi intelligent cloud electricity meter, comprehensive management system for electricity meter, operation management system, 2D barcode meter reader APP, EtherCAT centralised control system, etc. for the Group's various projects of centralised energy management to implement a better "cloud control".

COMMUNITY INVOLVEMENT

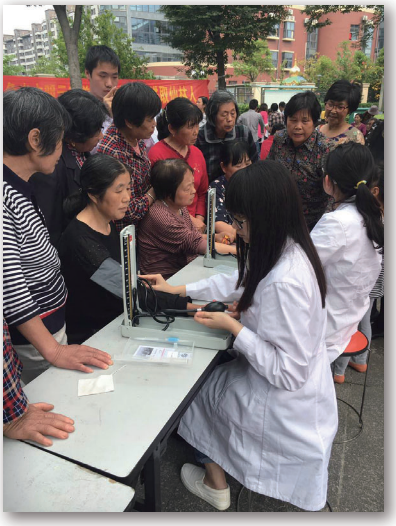
Colour Life Charity Foundation

Colour Life Charity Foundation was founded on 30 June 2015. It shares the brand concept of Colour Life Services Group, "Service to your family", and primarily provides subsidies to property owners, residents and employees of the Group in communities served by the Group, who are suffering from severe disease, or in difficult situation due to accident and catastrophe. In the past year or so, Colour Life Charity Foundation donated RMB425,212.18 in total to eight employees, one property owner and one partner to help them overcome hardship.

In 2016, Colour Life Charity Foundation gradually promoted "Charitable Colour Life Course" in communities served by the Group, which included regular free courses on national arts, courses on the Four Arts, family reading club, chore for the elderly, handcraft classes, medical outreach, low-carbon environmental protection, etc.

In addition, Colour Life Charity Foundation set up "Colour Quarter", a charitable store of Colour Life, at the Shenzhen headquarter in 2016. Employees of Colour Life and property owners in the community are invited to donate their personal belongings to our volunteers, who will keep, organise and sell such items for charity purpose. The charitable store allocates all proceeds to relief measures carried out by Colour Life Charity Foundation in the communities served by the Group. The charitable store promotes the concept of "cherish everything and support environmental protection" and encourages people to "lend a helping hand to charitable causes".

In March 2016, Chengdu Wanhong Terrace Colour Life Service Centre (成都萬鴻城市花園社區彩生活服務中心) organised a tree planting activity in the community with a theme of "Let's go green in Colour Life tree planting festival".



In June 2016, staff members from Colour Life Nanjing Regional Office of Hongyun Jiayuan Community (彩生活南京事業部鴻運嘉園小區) invited medical workers to offer free blood pressure test to property owners in the community square.

In September 2016, with an aim of promoting traditional Chinese culture and enriching extracurricular activities of children living in the community, Colour Life Shan Hu Ju Community (彩生活山湖居小區) organised “Colour Life calligraphy class for kids”.

In September 2016, Colour Life Yue Zhong Regional Office (彩生活越眾事業部) organised “Little Confucius School of National Classics”, a charitable education course.

In December 2016, Colour Life Tianrunjingyuan Property Service Centre (彩生活天潤菁園物業服務中心) invited two members of Changsha Society of Calligraphy to write and give away spring couplets for the local residents.

OPERATING PRACTICES

Supply Chain Management

In adherence to its philosophical conviction in innovation, openness, cooperation and mutuality, the Group adopts a personalised approach to the building of long-term relationships with its cooperative suppliers and gradually transforms its mode of supply chain management with electronic upgrades using Internet as a tool, aiming to set up platforms, digital database, intelligent processing and cloud-based computing, together with its suppliers. As strategic cooperation was entered into with major suppliers, the Group also uses other information tools such as management systems to help middle-to-small supplier optimise their own capacity for supply chain management in a bid for enhancing competitiveness and building up an "ecosystem" grounded in the community's collective interest.

1. Business review of 2016. In 2016, the sub-contracting of property fundamental service remained the major contributor to the Group's total purchase, accounting for over 90%. In addition, the purchase of equipment for intelligent community upgrading, the Group's fixed assets, office, software increased compared to last year. In 2016, the Group held three rounds of open tenders nationwide in respect of sub-contracting of security and cleaning services, effectively bringing in nearly 200 qualified security and cleaning service providers, which laid a solid foundation for establishment of database of qualified subcontractors.

2. System establishment in 2016. In 2016, the Group rationalized and optimized the control system of its purchase and supplier comprehensively from the execution and management of the purchase method to the management of the full life cycle of suppliers with the application of an innovative discipline system for the assessment of our suppliers. In addition, we stepped up the effort in collecting complaints from our suppliers via various channels like email, telephone and WeChat, to ensure constructive cooperation between both parties and sustainable development.

3. Platform construction. In line with the growing business of the Group and enhancement of purchase efficiency, we carried out in-depth deconstruction and reconstruction of our purchase platform in 2016. By meeting the demand of the internal and supply-chain ecosystems, we were moving towards the goal of becoming the leader of community supply chain and community industry service center in order to achieve industry integration, resources optimization, value-added service and win-win situation between all parties.

4. Corporate Culture of Sharing and Forward Looking. The Group hosted a suppliers annual convention in December 2016. It marked the inauguration of the Colour Life Supply Chain Community. The convention was attended by representatives of over 100 suppliers for intelligent communities from different industries and fields included construction, merchandising and procurement, service outsourcing, software and finance. It provided an occasion for evaluation on the past year and for exploring possibilities and planning for future. As a platform for community services, the Group has created a whole new service framework by forming a network of a wide range of expertise companies in numerous products that enable us to provide to-your-home services.

Protection of Consumer Interests

The Group has strictly complied with laws and regulations related to the industry. We attached an importance on customer satisfaction while focusing on rapid business expansion. In 2016, we have made a significant improvement on our service quality, which was evidenced by the ranking of sixth for owner satisfaction in a third-party survey conducted by China Index Academy and China Property Management Institute. In addition, the customer satisfaction surveyed by the Group internally exceeded our expectation while external survey score was over 80, a relatively high level among the industry. The Group will further strengthen its efforts in managing its service quality and ensure service quality its core work focus in 2016 to deliver more quality community service and better user experience for the community residents.

The Group strictly complied with the Property Management Regulations (物業管理條例), Property Law of the People's Republic of China (中華人民共和國物權法), Contract Law of the People's Republic of China (中華人民共和國合同法) and adopts measures to prevent damage to the interests of customers. Through effective supervision mechanism, the Group ensures the protection of the interests of customers. At the same time, the Group trains its employees on a regular basis about customer interests protection knowledge, and reviews its internal control system, to make sure that it is able to play a role in protecting the interests of customers.

In addition, the Group established a 24-hour service hotline at 4008–893–893 and developed Caizhiyun APP to facilitate communication with property owners, which enables them to express their opinions (including complaints, recommendations and maintenances etc.) by phone or Internet. After collecting feedback from the property owners, the Group's headquarter control centre will issue a rectification instruction and follow up on subsequent implementation until those property owners satisfied. Currently, the Group's frequency of contact with property owners via the Internet is rising, accounting for around 80% of the aggregate amount.

On the other hand, a remote control centre has been established at the Group's headquarters to conduct selective examination on district management service status every day. CCTV system allowed real-time supervision on service status, staff status and device status of the selected district, penalty will be imposed on unqualified district according to relevant regulations. Meanwhile, all regional business units adhere to weekly inspection and monthly inspection mechanism under the supervision and monitoring of the General Quality Consultant stationed in the Group's operation center to discover and fix problems on a timely basis.

The Group established a call center in Hunan with the aim to understand the demand and opinion of the owners of the community through telephone interview and communication. By collecting and analyzing the information of these owners, we could tailor-make a monthly quality improvement proposal to enhance the quality and service of the community as well as owner satisfaction, creating a warm connection.

In particular, the service format will adopt the following control measures: 1. organizing diversified cultural community activities to strengthen the connection and relationship with the owners; 2. passing and obtaining the certification of ISO9001：2008 to provide services up to quality standards; 3. rolling out regular activities quarterly while enhancing basic quality comprehensively and rationalizing all safety and prevention measures to build a safe and civilized community; 4. staff from different business lines of every department are designated to conduct monthly quality control inspection to discover and fix problems on a timely basis.

Anti-Corruption

The Group has put in place a set of internal policies and measures to prevent corruption and deception, such as internal audit system, code of professional ethics for auditors, management provisions on dealing with non-compliance of sales staff of the company, which are supervised and implemented by a specialised examination department. Such examination department is directly under the leadership of the Board to maintain a notarial, open and transparent environment for business operations with zero tolerance towards corruption and deception.

At the same time, the Group clarified its determined stance on fighting against corruption and deception to all employees, suppliers and business partners. Appropriate binding terms have been introduced accordingly to the respective contracts to ensure the relevant parties acted under the Group's requirement. The examination department conducted separate supervision to procure improvement of the general mechanism.

In addition, employees and partnered manufacturers could report to relevant business unit or (if necessary) to the examination department or management of the Group upon any suspicion of issues. The Group provides anonymous reporting channels like email, specific responsible department, official account and 400 complaints hotline to encourage complaint and reporting that is practical and effective for management enhancement with a view to preventing corruption and deception.

The Group remains vigilant of corruption and deception and continues to explore more effective policies to constrain its staff and business partners. The Group will optimise its internal control system through continuous study and exploration, especially strengthening the establishment of professional ethic and guarantee of code of conduct when selecting mid- to high-level management of the Group. Special events will be held regularly to sum up and learn from experience.

Pan Jun
Chairman

Dear Shareholders,

2016 was a year of strategic transformation and upgrade for the Group. Results of such transformation and upgrade were manifested in the way of expansion and the achievement of the Ecosystem. Revenue for the year amounted to RMB1,342.1 million and the adjusted profit amounted to RMB354.8 million, representing a year-on-year increase of 62.2% and 13.2%, respectively.

In terms of market expansion, as at 31 December 2016, the contracted GFA under the Group's management reached 395.1 million sq.m.. Services were provided to 2,339 communities, whereby the service area of better-developed regions such as Eastern and Southern China amounted to 53.2%. Meanwhile, the Group has established strategic cooperation with 13 companies through platform output with the service area of the Caizhiyun platform expected to reach 769.5 million sq.m. (including 395.1 million sq.m. for contracted area and 374.4 million sq.m. for cooperation area).

In terms of online value-added services, as at 31 December 2016, the number of registered users of the Caizhiyun APP reached 3,026,000, with 1,737,000 active users and the active ratio at the high level of 57.4%. At the same time, with progressive implementation of the core products "Colour Wealth Life Value-added Plan" and "Colour Life Property", the value-added services of the Group achieved breakthrough in 2016, contributing 30.2% of the overall segment profit, and has become the second largest income and profit source for the Group.

FROM THE PUBLIC SECTOR TO HOUSEHOLDS, CONSTRUCTING B2F COMMUNITY SERVICE ECOSYSTEM

Upon the listing of the Group three years ago, the community service sector gained the focus of the capital market. In recent years, we are pleasantly surprised to discover an increasing number of peers successively entering into the capital market. Among them many are reputable and credit-worthy developers in the property market, which prepared to spin-off their property management sectors. This fully demonstrates that the value of community service industry has gained increasing recognition.

However, it is essential to understand that the driving force of any industry is always reformation and innovation, rather than capital involvement. Conventional property management services, including security, cleaning, green land preservation, maintenance and repair, involve residents, suppliers, subdistrict office and department of security, etc. Therefore, it is an industry with a long service chain, challenging in terms of organization management, and labor-intensive. Because of its unique industry nature, it is difficult for the community services industry to be totally transformed by the Internet alone. In 2016, we saw the disappearance of numerous enterprises that attempted to enter the property management sector and establish their footholds by way of APP. A wave of O2O companies with no profit model ultimately did not endure the challenges. The underlying cause is the inadequate construction of service base in the industry chain. Therefore, reformation and innovation of the community services industry is bound to start from inside the industry.

Property management is one of the few sectors that are not highly related to the Internet nowadays. The conventional property management model is quite extensive, with the most common approach to improve service quality by increasing the number of service staffs. In addition, enterprises face challenges such as increasing margin of management cost and lack of economy of scale. However, technology investment in an industry with technology deficiency usually results in substantial increase in service efficiency; therefore, there continues to be room for improvement regarding basic property services. Meanwhile, the birth of mobile internet and smart phones has facilitated the use of new hardware such as GPS, microphones and cameras by users who are able to express their needs for services more specifically, and which, consequently, puts house-call services in the spotlight. Nevertheless, compared to conventional internet, as offline services are limited by physical distance, the limitless and all-inclusive reach of the traditional internet services usually cannot apply to house-call services. Property management companies, which are located at close proximity to the owners and have established basic reliable relationships with the owners through communication over the years, are therefore able to help reduce the cost to secure customers for house keeping services companies. Moreover, as most of the community services staffers live in the nearby neighborhood, they are the most ideal service providers of house keeping services. Accordingly, entering households through the property management sector helps optimize costs and ultimately helps support basic property management services through house-hold services, thereby achieving a positive cycle from community to households.

In light of the above factors, the Group has progressively constructed a bridge connected to household services on the basis on its basic property management in the public sector and ultimately achieved the goal of building a B2F ecosystem. Specifically, in 2016, the Group achieved comprehensive E-services by way of internet for its basic property management sectors (including E-Repair, E-Lift, E-Cleaning, E-Security, E-Payment, E-Parking and E-Energy) with notable results. E-Repair was carried out nationwide; with no additional repair costs, satisfaction rate of repair in projects under the Group's management increased by 10 percent. E-Cleaning was conducted in Shenzhen and Huizhou; with 10% of cleaning budgets, customer satisfaction rate of cleaning in projects under the Group's management increased by 5 percent. E-Energy, E-Parking and others also started to contribute profits. At the same time, E-Repair, being the first vertical application incubated by the Group, provided household repairs for around 24 cities and 829 communities in the country, with an average daily repair order volume of 10,000 orders, among which 95% were attributed to owners' home. This is an early demonstration of the practical feasibility of the Group's B2F model. On the other hand, the "Colour Wealth Life Value-added Plan" greatly boosted the efficiency of payment and collection of property fees. In 2016, the accumulated investment of such plan amounted to RMB1,819.1 million, representing a year-on-year growth of 738.3%. Contributions from the E-services were an initial manifestation of the Group's upgrade and transformation in 2016. The proportion of distributed profits attributable to the value-added business reached 30.2%.

FULL IMPLEMENTATION OF COLOUR LIFE PROPERTY SALES MODEL WITH ACCELERATING EXPANSION OF PLATFORM OUTPUT

We believe that the growth and driving force of the Group lie in its ongoing efforts in timely adjusting strategic layout based on both the external market condition and its own advantages. Early when the industry was still enjoying the benefits of low cost labors, the Group had already started to mark down the layout for the standardization and centralization of, as well as the technology penetration in the services sector. When the industry was under the pressure of increasing labor cost, the Group leveraged on its early-established advantage to rapidly extend to more than a hundred cities in the PRC at relatively low costs by way of acquisitions and mergers, thereby laying a solid foundation for subsequently undertaking full-new engagements contracts. However, now that the industry's value currently has been widely acknowledged, even oversold by capital involvement, we begin to wonder where the next step lays.

Looking back to 2016, the biggest achievement of the Group was the construction of ecosystem. Certain vertical applications, represented by E-Repair, E-Lift, E-Leasing, E-Energy, etc., developed an initial business and profit-making model through continuing fine-tuning of the Group's self-managed community, and contributed substantial income and profits. Therefore, a higher speed of expansion was required for the Group's platform. At the same time, we discovered that certain companies in the industry were unable to enhance service efficiency and generate income from innovative value-added services through the internet as urgently anticipated by themselves due to various factors, including workforce, experience and technology. In consideration of the combination of factors discussed above, from the second half of 2016, the Group adopted the platform output strategy: on one hand, it provided the Caizhiyun platform to its cooperation partners to help them reduce technology-related expenses; on the other hand, it supported the accelerating expansion of the ecosystem vertical services and shared income from value-added services with its partners. The birth of Android system significantly lowered the entry barrier of APP development, as the development of any APP no longer requires development of a basic mobile operating system. Instead, developers are only required to focus on their respective vertical area.

In November 2016, the Group announced the cooperation with Shanghai Yinwan Life Network Co., Ltd. (上海銀灣生活網絡股份有限公司) (hereafter referred to as "Yinwan Network"), pursuant to which, subject to revenue rationalisation between the property services of both parties, the Group provides the fundamental technology of Caizhiyun APP to the counterparty and shares the revenue of value-added business. The area of self-managed properties of Yinwan Network amount to 117.5 million sq.m., while the management area of the Silver Key Association is 250.0 million sq.m. The strategic cooperation between the Group and Yinwan Network enables Caizhiyun platform to cover an area of nearly 769.5 million sq.m. in the future. More importantly, the cooperation costs an investment of RMB32.5 million only on the part of the Group and boosts capital efficiency. To achieve lighter, quicker and better growth, starting from the second half of 2016, the Group altered its expansion strategy from acquisition and new engagement to platform output and new engagement.

Meanwhile, the Group will primarily undertake new engagements of property management based on Colour Life Property Sales Mode in the future. Instead of the vesting of property management right, developers are more concerned with the sales of property developments. Thus, Colour Life Property is developed based on the vulnerability of developers. On one hand, it transforms one-off property sales into a sales model of "property + service" to facilitate the sales of property development by the developer and obtain the property management right for Colour Life. On the other hand, it leads to the accumulation of meal coupons on the Caizhiyun platform and further spurs the traffic and activity on Caizhiyun APP. As at 31 December 2016, accumulated sales of Colour Life Property in this year amounted to 4,513 units.

FUTURE PROSPECTS

2016 was indeed a fruitful year but challenges on the product, operation and technology fronts persisted. It is expected that transformation and upgrade of the Group will bear fruits in 2017 and we shall always adhere to our principles and strive to make progress.

BUSINESS REVIEW

Business Overview

The Group is a leading community services provider in the PRC. 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. 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 to 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; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) energy-saving services; and

- *community leasing, sales and other services*, which primarily include: (i) common area rental assistance; (ii) online promotion services and leasing information system software; (iii) residential and retail units rental and sales assistance; and (iv) other services.

Property Management Services

The Group adheres to its strategy of expansion of the total contracted GFA. As at 31 December 2016, GFA under management contracts and consultancy service arrangements of the Group reached 395.1 million sq.m. and the number of residential communities under the Group's management and consultancy services contracts reached 2,339, representing a year-on-year growth of 22.7% and 16.9%, respectively. The Group presences 209 cities in China and one overseas country namely Singapore, realising rapid expansion of contracted GFA. In August 2016, Fantasia Holdings announced the acquisition of Wanda Property Management Co., Ltd (hereafter referred to as "Wanda Property"). After the completion of the acquisition, Shenzhen Kaiyuan International Property Management Co., Ltd (hereafter referred to as "Kaiyuan International") a subsidiary of the Group, would provide property management consultancy services to the residential portion of Wanda Property, making a further increase in the service capacity of the Group in respect of high-end properties. In addition, the Group launched the Colour Life Property Sales model, with the property developers and financial institutions, under which, sales of properties are bundled with meal coupons that can be used later on the Caizhiyun platform. With such coupons, buyers of the Colour Life Property can save on living cost. The user loyalty and activity of Caizhiyun platform can also be greatly improved through transactions while using coupons. Further Colour Life Property developers have to delegate the management services of their projects where the Colour Life Properties located to the Group. The Group expanded its management area more quickly through Colour Life Property Sales model in the form of fully authorization. In 2016, aggregate sales of Colour Life Property amounted to 4,513 units from approximately 30 projects. Currently, the Group has entered into Colour Life Property agreements with 27 developers. It's expected to accelerate the sales of Colour Life Property in the future.

In 2016, transformation and evolution of the Group's strategy began to bear fruits and the contribution of value-added services to the Group's segment profit reached 30.2%. As vertical service providers in the ecosystem develop gradually, they are bound to be more demanding on the expansion pace of the Colour Life platform. Meanwhile, due to the launch of ICE system, the Group realises the intensified expansion of Caizhiyun platform through significantly boosting management capability with back-end technical support. Combining the above factors, the Group has devised a strategic decision on platform output, sharing the value-added revenue with partners by the output of basic platform technology and ecosystem vertical services. This strategic decision shall effectively reduce the cost of resource procurement for the Group and facilitate the expansion of platform service area in a lighter manner and at a quicker pace. In November 2016, the Group entered into a strategic cooperation with Shanghai Yinwan Life Network Co., Ltd. (上海銀灣生活網絡股份有限公司) (hereafter referred to as "Yinwan Network"). Yinwan Network is a leading community service enterprise in the industry, with GFA under management of 117.5 million sq.m. from 753 projects. In addition, it leads the Silver Key Association Platform (銀鑰匙聯盟平臺) which serves properties with an area of 250.0 million sq.m. As at 31 December 2016, in total the Group obtained a platform service area of 769.5 million sq.m. including the contracted GFA.

Geographical Presence

As at 31 December 2016, the regions with residential communities which the Group managed, provided consultancy services to or cooperated with in platform services 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. Quanzhou
24. Sanming
25. Zhangzhou
26. Nanxiong
27. Longyan
28. Jiujiang
29. Nanping
30. Xinyu
31. Zhaoqing
32. Haikou
33. Danzhou
34. Fuzhou
35. Shantou
36. Zhanjiang
37. Jinggangshan
38. Fengcheng
39. Ji'an
40. Meizhou
41. Zhangping
42. Sanya
43. Ruijin
44. Wenchang
45. Pingxiang
46. Zhangshu

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

Southwestern China
95. Chengdu
96. Liuzhou
97. Dali
98. Guilin
99. Nanning
100. Zigong
101. Chongzuo
102. Baise
103. Guigang
104. Zunyi
105. Guiyang
106. Fangchenggang
107. Deyang
108. Guang'an
109. Laibin
110. Lijiang
111. Mianyang
112. Pingnan
113. Suining
114. Tongren
115. Yizhou
116. Chongqing
117. Ziyang
118. Anshun
119. Beihai
120. Guanghan
121. Kunming
122. Guangyuan
123. Neijiang
124. Duyun
125. Fuquan
126. Longli
127. Majiang
128. Bazhong
129. Wuzhou
130. Bijie
131. Emeishan
132. Leshan
133. Liupanshui
134. Miao-Dong Autonomous Prefecture of Qiandongnan
135. Qinzhou
136. Wenshan
137. Yulin

Northeastern China
138. Gaizhou
139. Harbin
140. Huludao
141. Shenyang
142. Tieling
143. Yingkou
144. Diaobingshan
145. Benxi
146. Changchun
147. Panjin
148. Dalian
149. Mudanjiang

Northwestern China
150. Xi'an
151. Yinchuan
152. Lanzhou
153. Hancheng
154. Xi'ning
155. Yulin
156. Baoji
157. Ankang
158. Pingliang

Northern China
159. Beijing
160. Qinhuangdao
161. Tianjin
162. Shijiazhuang
163. Baotou
164. Tongliao
165. Wuhai
166. Taiyuan
167. Tangshan
168. Hulunbuir
169. Ulanqab
170. Langfang
171. Datong

Central China
172. Changsha
173. Xinxiang
174. Yiyang
175. Zhengzhou
176. Wuhan
177. Chenzhou
178. Kaifeng
179. Anyang
180. Xiangyang
181. Jingmen
182. Puyang
183. Yichang
184. Yueyang
185. Zhangjiajie
186. Zhuzhou
187. Huixian
188. Luohe
189. Xiangtan
190. Huanggang
191. Changde
192. Jingzhou
193. Loudi
194. Luoyang
195. Wugang
196. Suizhou
197. Nanyang
198. Xingyang
199. Shangqiu
200. Enshi
201. Jiaozuo
202. Xiangfan
203. Hengyang
204. Jiyuan
205. Qianjiang
206. Xinyang
207. Zhoukou
208. Zhumadian

Non-Mainland China
209. Hong Kong

Oversea
210. Singapore

The Group's total contracted GFA had grown continuously during 2016. The table below sets forth the total contracted GFA and the number of residential communities the Group managed, provided consultancy services to and cooperated with in platform services in different regions of the PRC and overseas country as at the dates indicated below:

	As at 31 December									
	2016						2015			
	Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group		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	Total Contracted GFA ('000 sq.m.)	Number
Shenzhen	9,745	132	753	18	-	-	7,578	129	753	18
Southern China (excluding Shenzhen)[1]	69,657	473	7,265	29	40,635	225	58,439	414	3,807	17
Eastern China[2]	109,323	711	12,994	51	17,424	169	104,313	652	7,483	43
Southwestern China[3]	56,701	342	1,993	5	45,703	281	40,702	236	798	2
Northeastern China	10,284	49	4,554	25	-	-	10,044	58	3,429	21
Northwestern China[4]	19,265	92	275	2	4,202	49	15,439	68	76	1
Northern China[5]	16,880	83	4,589	25	199	1	13,855	70	2,005	19
Central China[6]	64,639	236	5,176	12	16,282	111	52,076	198	300	1
Non-Mainland China	40	16	-	-	-	-	40	16	–	–
Singapore	987	38	-	-	-	-	987	38	–	–
Total	357,521	2,172	37,599	167	124,445	836	303,473	1,879	18,651	122

Notes:

(1) The Group newly entered Meizhou, Zhangpin, Sanya, Ruijin, Wenchang, Pingxiang and Zhangshu during the year 2016.

(2) The Group newly entered Tai'an, Heze, Huaibei, Jinhua, Liaocheng, Taizhou, Taihe, Zaozhuang and Weifang during the year 2016.

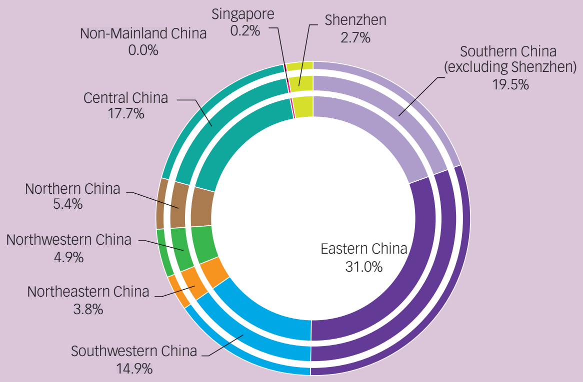
(3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli, Majiang, Bazhong, Wuzhou, Bijie, Emeishan, Leshan, Liupanshui, Miao-Dong Autonomous Prefecture of Qiandongnan, Qinzhou, Wenshan and Yulin during the year 2016.

(4) The Group newly entered Baoji, Ankang and Pingliang during the year 2016.

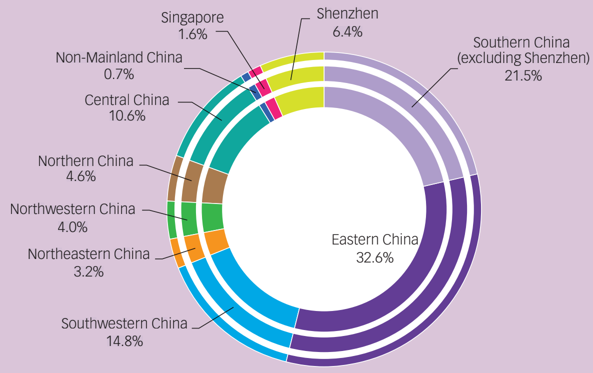
(5) The Group newly entered Hulunbuir, Ulanqab, Langfang and Datong during the year 2016.

(6) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu, Enshi, Jiaozuo, Xiangfan, Hengyang, Jiyuan, Qianjiang, Xinyang, Zhoukou, Zhumadian during the year 2016.

Contracted GFA distribution in different regions



Number of residental communities distribution in different regions



As at 31 December 2016, the Group had grown its coverage to 209 cities in China and one overseas country namely Singapore where the Group was contracted to manage 2,172 residential communities with an aggregate contracted GFA of approximately 357.5 million sq.m. and entered into consultancy services contracts with 167 residential communities with an aggregate contracted GFA of approximately 37.6 million sq.m.. As at 31 December 2016, in total the Group obtained a platform service area of 769.5 million sq.m., including the contracted GFA.

The Group will continue to expand its business through obtaining new service engagements and cooperating with other property management companies in platform service. The table below sets forth the movement of the total contracted GFA and the number of residential communities the Group managed, provided consultancy services and cooperated with in platform service during 2016.

	As at 31 December									
	2016						2015			
	Managed by the Group		**Under the Group's consultancy service arrangements**		**Cooperated with the Group**		Managed by the Group		Under the Group's consultancy service arrangements	
	Total Contracted GFA ('000 sq.m.)	**Number of residential communities**	**Total Contracted GFA ('000 sq.m.)**	**Number of residential communities**	**Total Contracted GFA ('000 sq.m.)**	**Number of residential communities**	Total Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of residential communities
As at the beginning of the year	**303,473**	**1,879**	**18,651**	**122**	**-**	**-**	137,164	796	68,086	469
New engagements[1]	**36,563**	**159**	**23,677**	**66**	**-**	**-**	51,804	221	241	1
Acquisitions[2]	**29,559**	**191**	**265**	**2**	**-**	**-**	85,083	657	2,040	8
New cooperation[3]	**-**	**-**	**-**	**-**	**124,445**	**836**	–	–	–	–
Transfer from consultancy service to self-management[4]	**-**	**-**	**-**	**-**	**-**	**-**	47,540	341	(47,540)	(341)
Terminations[5]	**(12,074)**	**(57)**	**(4,994)**	**(23)**	**-**	**-**	(18,118)	(136)	(4,176)	(15)
As at the end of the year	**357,521**	**2,172**	**37,599**	**167**	**124,445**	**836**	303,473	1,879	18,651	122

Notes:

(1) In relation to residential communities 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 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 some other companies in the property management industry in order to expand its managed GFA and gain synergy after the acquisition.

(3) Through cooperation in platform service, the Group gained fixed interest return from or minority interests of targeted partners and output its online platform and vertical application services to the partners.

(4) The Group managed to acquire some of the property management companies to which it provided consultancy service previously, resulting in the relevant residential communities under the Group's consultancy service arrangements transferred into those the Group managed.

(5) Including the contracted GFA and the number of residential communities which the Group ceased to renew certain property management contracts and manage primarily due to commercial factors.

Nature of the Property Developers

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

	As at 31 December							
	2016				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	**513,477**	**98.8%**	**3,145**	**99.1%**	314,416	97.6%	1,970	98.5%
Properties constructed by the Fantasia Group	**6,088**	**1.2%**	**30**	**0.9%**	7,708	2.4%	31	1.5%
Total	**519,565**	**100.0%**	**3,175**	**100.0%**	322,124	100.0%	2,001	100.0%

Scope of Services for Property Management Services

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

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 upgrading. Daily security services provided by the Group include patrolling, access control, visitor handling and emergency handling. The Group may delegate certain security services to third-party sub-contractors.

Cleaning and gardening services

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

Repair and maintenance services

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

Colour Life Property Management Services Model

As at 31 December 2016, the Group employed over 36,767 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 31 December			
	2016		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	**0.35–10.55**	**1.0–6.9**	0.8–8.0	1.0–6.9
Southern China (excluding Shenzhen)(1)	**0.34–3.94**	**0.6–6.0**	0.4–3.75	0.75–2.9
Eastern China(2)	**0.2–8.0**	**1.2–3.0**	0.2–6.5	1.0–4.2
Southwestern China(3)	**0.3–4.0**	**0.88–4.5**	0.3–5.68	0.5–5.0
Northeastern China	**0.4–3.7**	**2.0–5.0**	0.4–3.7	1.8
Northwestern China(4)	**0.6–1.8**	**1.1–3.0**	0.6–1.2	1.88
Northern China(5)	**0.64–2.5**	**1.2–5.2**	1.8–3.4	0.75–3.5
Central China(6)	**0.4–4.18**	**0.4–2.48**	0.5–4.18	0.5–2.48
Singapore	**1.23**	**–**	1.23	–
Hong Kong	**4.4–22.0**	**–**	1.42–20.35	–

Notes:

(1) The Group newly entered Meizhou, Zhangpin, Sanya, Ruijin, Wenchang, Pingxiang and Zhangshu during the year 2016.

(2) The Group newly entered Tai'an, Heze, Huaibei, Jinhua, Liaocheng, Taizhou, Taihe, Zaozhuang and Weifang during the year 2016.

(3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli, Majiang, Bazhong, Wuzhou, Bijie, Emeishan, Leshan, Liupanshui, Miao-Dong Autonomous Prefecture of Qiandongnan, Qinzhou, Wenshan and Yulin during the year 2016.

(4) The Group newly entered Baoji, Ankang and Pingliang during the year 2016.

(5) The Group newly entered Hulunbuir, Ulanqab, Langfang and Datong during the year 2016.

(6) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu, Enshi, Jiaozuo, Xiangfan, Hengyang, Jiyuan, Qianjiang, Xinyang, Zhoukou and Zhumadian during the year 2016.

The community services industry is experiencing a transformation from a labour-intensive industry to a technology-based industry. Thus, the Group has spared no effort to provide better quality experience to the communities through the use of internet, investment in smart devices and improvement of the management system. The use of Internet of Things and Mobile Internet facilitates the effective monitoring of the Group's projects across the country from its headquarter's control centre, which greatly reduces the number of middle management staff and improves towards a flat organisation. The Group has also classified its managed communities into various classes based on the different charging standards and developed tailored equipment alteration and service package standards to ensure consistency of customer experience in different classes of projects and secure the Group's rapid expansion in the PRC. The establishment of an automated, centralised and standardised management system maintains customer satisfaction, while at the same time secures the efficiency to ensure the Group's effective cost control.

Meanwhile, the Group is actively building up an online platform Caizhiyun for its community services, and migrating functions such as paying property management fees, ordering repair and maintenance services, issuing notices and submitting complaints from a traditional offline approach to the online platform, which not only provides convenience to the residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the residential communities. Meanwhile, the Group designates customer managers to serve the communities based on the proportion to the number of the residents in such communities. The customer managers will schedule visits with the residents through the Caizhiyun platform for following up works and feedbacks relating to customer satisfaction in a timely manner in order to, on one hand, ensure the quality of the offline community services and, on the other hand, efficiently become aware of the services that the property owners are demanding. The Group will grow the corresponding value-added businesses and organically integrate the community's online and offline businesses, which will further enhance the Group's competitive edges.

The Group made great strides in terms of the ecosystem establishment in 2016. E-Repair, E-Lift, E-Housekeeping and E-Security all found their way into the field of fundamental community services and further enhanced the service and management efficiency of the Group. For instance, E-Repair received over 10,000 orders per day and improved community repair and maintenance service quality without an increase in community repair budget. For E-lift, 20,000 units of lifts have been monitored so far. Through the establishment of a SaaS (Software-as-a Service) system for lift repair and maintenance, a clear layout covering multiple aspects, such as lift operation, repair and maintenance information, and material supply, is formed, which will further serve as the basis of refined operation. It shall help the Group substantially reduce the cost of quality control for lift repair and maintenance service.

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

As at 31 December 2016, the Group was contracted to provide consultancy services to 167 residential communities in the PRC. For the year ended 31 December 2016, income generated from the Group's consultancy services was RMB45.2 million (2015: RMB49.2 million), or 3.4% of its total revenue for 2016 (2015: 5.9%). The gross profit margin for consultancy services was nearly 100%.

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

ENGINEERING SERVICES

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and the communities the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its subsidiaries, Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji") and Shenzhen Ancaihua Energy Investment Co., Ltd. which specialise in engineering services. The Group's engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services); (ii) repair and maintenance services; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) energy-saving devices and energy platform leasing services.

To further increase the efficiency of its property services and bring better customer experience, the Group has been conducting Internet-based transformation to all projects under its management. In 2016, the Colour Life Smart Community Model was upgraded from Version 3.0 to Version 3.3. With regard to access and scenario design, 2D code scanning entry and license plate identification system for car park were added and an interaction group was formed as a communication platform for residents . Such measures offered convenience to customers and boosted the customer loyalty to Caizhiyun APP at the same time. Moreover, Version 3.3 of the Smart Community vastly improved its professionalism and product commercialisation, including but not limited to professional payment, professional car park operation, E-Lift, E-Security, E-House keeping, E-Repair, E-Leasing, E-Wealth management, to further develop the community internet ecosystem from multiple levels, such as user demand and effective support. In 2016, the Group completed the hardware upgrade and transformation in 624 communities in total, among which certain cases involved the secondary upgrade to a primary renovated community. Total number of renovated communities reached 1,227, representing 52.5% of total number of communities under management.

Automation and other hardware equipment installation services

In order to enhance the management efficiency in relevant communities and in turn to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation 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 when the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system.

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

Community utility facilities repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further deepening of Colour Life management model of the Group, the Group has promoted an equipment management model to reduce the occurrence of major failures of the abovementioned hardware and equipment that requires large-scale repairs through periodically conducting regular maintenance in communities it manages. As at 31 December 2016, the Group was engaged to provide repair and maintenance services to 1,062 residential communities it manages or provides with consultancy services.

Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to. These equipment include carpark security systems, building access systems and remote surveillance cameras. These equipment were invested by Shenzhen Kaiyuan Tongji and Shenzhen Yixuan Technology Co., Ltd and provided for the use of each residential community through the Group's equipment leasing program. As at 31 December 2016, the Group had completed automation and other equipment upgrading programs at 1,227 residential communities.

Energy-saving services

The Group provides energy-saving services to residential communities it manages or provides consultancy services to. The services include energy-saving devices and energy management platform leasing services.

COMMUNITY LEASING, SALES AND OTHER SERVICES

With fifteen years of experience in community management and services, the Group has established a comprehensive offline service team who had built up trust with the residents and has more comprehensive understanding on the demands of the community residents and the creation of the community scenarios. Leveraging the understanding on 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 contact with local vendors for services or goods via the Caizhiyun APP and creating a more convenient community living environment for residents.

Caizhiyun APP, the online operating platform of the Group, reported significant progress in 2016. Through continuous improvements on basic functions with higher utilisation rates, such as handling property fee payments and complaints, issuing service notices, as well as "Scan to Access the Community Gate" (掃一掃開社區大門), it enhanced interaction and connection between community property owners and the Group, as well as to strengthen owners' stickiness with Caizhiyun platform. As at 31 December 2016, registered users of Caizhiyun APP increased to 3,026,000, of which 1,737,000 were active users, each representing an increase of 51.1% and 102.4% respectively as compared with those as at the end of 2015. 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.

At the same time, the Group continued to focus on its strategy of building up an open platform and has commenced cooperation with a number of third parties for vertical applications through business incubation and value chain restructuring strategy to jointly explore opportunities for business expansion in a diversified community scenarios. Currently, the Group has established cooperation with Shenzhen Qianxun Technology Co., Ltd. (深圳乾訊科技有限公司) (the provider of E-Repair services), Shenzhen Hehenian Investment Consultancy Co., Ltd. (深圳市合和年投資諮詢有限公司) (the provider of E-Wealth management services), Shenzhen Caizhijia Real Estate Planning Co., Ltd. (深圳市彩之家房地產策劃有限公司) (the provider of E-Leasing services), JD.com (京東), etc. As at 31 December 2016, E-Repair recorded a daily order volume of more than 10,000 orders, 95% of which came from property owners' households, while E-Wealth management amassed annual aggregate investment of RMB1,923.2 million, among which, the annual aggregate investment of Colour Wealth Life amounted to RMB1,819.1 million. Such positive operating data have underlined the initial success of the Colour Life ecosystem.

With the progress of the Colour Life Property sales model, the amounts of the meal coupons that the community residents save in their Caizhiyun accounts will continuously increase. Due to the accumulation of meal coupons, the Group can better organize suppliers with greater bargain power, providing valuable products and service at favorable price. As the bonding within the commercial ecosystem of Colour Life, meal coupons drive the ecosystem for further improvement.

The Group's community leasing, sales and other services primarily include (i) common area rental assistance; (ii) online promotion services and leasing information system software; (iii) residential and retail units rental and sales assistance; and (iv) others.

Common area rental assistance

Physical 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.

Online promotion services and leasing information system software

The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun APP, the online platform run by the Group. Providers of products and services pay certain amount of commission according to their sales ordered through Caizhiyun APP to the Group. As at 31 December 2016, Caizhiyun APP provided services to 1,963 residential communities. Further, the Group leases system or software to projects it provides management or consultant services to in order to improve service quality and efficiency.

Residential and retail units rental and sales assistance

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

Others

Mainly include (i) purchase assistance; (ii) energy management services; (iii) parking management services; and (iv) other services.

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 year ended 31 December 2016, the total revenue increased by 62.2% to approximately RMB1,342.1 million from RMB827.6 million for the year ended 31 December 2015.

The increase in revenue was primarily driven by (i) an increase in the total revenue-bearing GFA; (ii) particularly a significant increase in lump sum basis contracts arising from the acquisition of property management companies during the year and (iii) an increase in the amount of community leasing, sales and other services the Group delivered.

– *Property Management Services*

For the year ended 31 December 2016, revenue from property management services increased by 80.6% to RMB1,059.1 million from RMB586.3 million for the year ended 31 December 2015. Breakdown of revenue from property management services are as below:

	For the year ended 31 December		Variance	
	2016	2015	**Amount**	**%**
	RMB'000	RMB'000	RMB'000	
Commission basis	**163,960**	143,696	20,264	14.1
Lump sum basis	**758,169**	288,603	469,566	162.7
Pre-sale services	**91,772**	104,837	(13,065)	(12.5)
Consulting fees	**45,166**	49,196	(4,030)	(8.2)
Total of property management services fees	**1,059,067**	586,332	472,735	80.6

Such increase was primarily attributable to:

(a) An increase in the revenue of approximately RMB469.6 million under lump sum basis due to the completion of the acquisition of Kaiyuan International, Chongqing Hongshan Property Management Co., Ltd. (hereafter referred to as "Hongshan") and Chengdu Hongpeng Property Management Co., Ltd. (hereafter referred to as "Hongpeng"), 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 31 December 2016, the revenue-bearing GFA under lump sum basis increased by 29.0 million sq.m. to 50.2 million sq.m. from 21.2 million sq.m. as at the same date in 2015;

(b) An increase in revenue of RMB20.3 million from service fees charged under commission basis which in turn was driven by the growing revenue-bearing GFA. As at 31 December 2016, the revenue-bearing GFA under commission basis increased by 22.0 million sq.m., or 11.2%, to 218.0 million sq.m. from 196.0 million sq.m. as at the same date in 2015;

(c) A decrease in revenue of RMB13.1 million from service fee charged for rendering pre-sale related services for the year ended 31 December 2016 as compared to that charged for the year ended 31 December 2015 resulting from the completion of pre-sale services contracts.

(d) A slight decrease in revenue of RMB4.0 million from fees charged under consultancy services contracts. As at 31 December 2016, the revenue-bearing GFA under consultancy services contracts increased by 7.4 million sq.m., or 48.7%, to 22.6 million sq.m. from 15.2 million sq.m. as at December 2015. Since a large portion of acquisition towards the property management company previously under the Group's consultancy service were completed during the year 2015, the consultancy services provided to those property management company acquired in the year 2015 would be ceased. During the year 2016, a new consultancy contract between Kaiyuan International and Wanxiangmei Property Management Co., Ltd. was entered into on 2 August 2016, leading to an increment of GFA under consultancy services contracts, as much as an income of RMB14.5 million in the year 2016.

Due to the factors discussed, revenue from property management services for the year ended 31 December 2016 accounted for 78.9% of the Group's total revenue, representing an increase of 8.1 percentage points as compared to that of 70.8% for the year ended 31 December 2015.

– *Engineering Services*

For the year ended 31 December 2016, revenue from engineering service decreased by 6.9% to RMB126.1 million from RMB135.4 million for the year ended 31 December 2015. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December		**Variance**	
	2016	2015	Amount	%
	RMB'000	RMB'000	RMB'000	
Equipment installation	**36,224**	31,660	4,564	14.4
Repair and maintenance services	**47,159**	79,105	(31,946)	(40.4)
Equipment leasing	**31,275**	24,661	6,614	26.8
Energy-saving services	**11,488**	–	11,488	–
Total of engineering services fees	**126,146**	135,426	(9,280)	(6.9)

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

(a) A decrease in community repair and maintenance service income of 40.4% as compared to that charged for the year ended 31 December 2015. In order to increase the efficiency of the repair and maintenance services provided to the residential communities the Group managed to concentrate on the platform related business, some of the repair and maintenance services were outsourced to Shenzhen Qianxun, who is a contracted provider to the Group, leading to a decrease of RMB31.9 million for community repair and maintenance service to RMB47.2 million for the year ended 2016 from RMB79.1 million for the year ended 31 December 2015.

(b) An increase of RMB11.5 million in services fee from leasing energy-saving devices and energy management platform, which is a new business introduced in the year 2016.

(c) An increase in the revenue of RMB6.6 million charged for the community equipment leasing income in the year 2016 is in line with the Group's community equipment upgrade program.

(d) An increase in equipment installation service income of 14.4% to RMB36.2 million for the year ended 31 December 2016 from RMB31.7 million for the year ended 31 December 2015, which was associated with the GFA contracted or to be contracted with the Group's property management services.

– *Community Leasing, Sales and Other Services*

For the year ended 31 December 2016, community leasing, sales and other services income increased by 48.1% to RMB156.9 million from RMB105.9 million for the year ended 31 December 2015.

Breakdown of revenue from value-added services are as below:

	For the year ended 31 December		Variance	
	2016	2015	Amount	%
	RMB'000	RMB'000	RMB'000	
Common area rental assistance	**37,082**	30,397	6,685	22.0
Usage fees from online promotion services and leasing information system software	**74,015**	49,140	24,875	50.6
Residential and retail units rental and sales assistance	**19,696**	17,821	1,875	10.5
Other services	**26,063**	8,529	17,534	205.6
Total of community leasing, sales and other services fees	**156,856**	105,887	50,969	48.1

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

(a) A growth in usage fees from online promotion services and leasing information system software at approximately RMB24.9 million in 2016 as driven by the rapid development of the companies who cooperated with the Group aiming at the Caizhiyun platform and the Group's growth in the total revenue-bearing GFA. As a result, the revenue of usage fees from online promotion services and leasing information system software increased by 50.6% to RMB74.0 million in the year 2016 from RMB49.1 million of that in the year 2015.

(b) An increase in community common area rental assistance commission income of 22.0% to RMB37.1 million in the year 2016 from RMB30.4 million for the year 2015 related to the GFA growth.

(c) An increase in residential and retail units rental and sales assistance income of RMB1.9 million to RMB19.7 million in the year 2016 from RMB17.8 million for the year 2015, which was driven by the growing GFA.

(d) An increase in other services revenue of 205.6% to RMB26.1 million in the year 2016 from RMB8.5 million for the year 2015, which arises from the introduction of several new businesses by the Group during the year 2016. The revenue for year ended 31 December 2016 mainly consist of (i) purchase assistance; (ii) energy management services; (iii) parking management services; and (iv) other services.

Cost of Sales and Services

The Group's cost of sales and services primarily comprises labor costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes, and others, utility costs, depreciation and amortisation and others. For the year ended 31 December 2016, cost of sales and services increased by 102.7% from approximately RMB373.2 million for the year 2015 to approximately RMB756.3 million. The increase was primarily attributable to the acquisition of Hongshan, Hongpeng and other property 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 year ended 31 December 2016, the overall gross profit increased by 28.9% to approximately RMB585.8 million from approximately RMB454.6 million for the year ended 31 December 2015. The increase of gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin decreased by 11.3 percentage points to 43.6% in the year 2016 from that of 54.9% in the year 2015. The decrease was primarily attributable to the acquisition of Kaiyuan International and other property companies, of which significant portion of property management services fee under lump sum basis was rendered, which in turn gave rise to a lower gross profit margin.

(i) *Property Management Services*

For the year ended 31 December 2016, the gross profit margin of property management services decreased by 11.2 percentage points from 46.8% in the year 2015 to 35.6%, primarily due to the increase in the revenue 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 year ended 31 December 2016, gross profit margin for engineering services segment decreased by 4.9 percentage points to approximately 51.0% from approximately 55.9% for the year 2015. The decrease was primarily attributable to the increase in the proportion of equipment installation of Kaiyuan Tongji which had a lower gross profit margin.

(iii) *Community Leasing, Sales and Other Services*

For the year ended 31 December 2016, gross profit from community leasing, sales and other services segment increased by 38.4% to approximately RMB144.1 million from approximately RMB104.1 million for the year 2015. Gross profit margin decreased by 6.4 percentage points from 98.3% in the year 2015 to 91.9% in the year 2016. The decrease was primarily attributable to some new business introduced during the year 2016: i) energy management services charged to the residential communities, which accounted for 6.2% of the total gross profit in value-added services segment. Energy management service has a gross profit margin of 77.8%, lower than the gross profit margin of value-added services segment in 2015; ii) sublet business mainly derived from the sublet of Shanghai Colour Life Times Plaza, which had a negative gross profit of RMB2.5 million. The whole building was handed over to the Group in 30 November 2016 and the rental fees began to amortized ever since. As at 31 December 2016, eight copies of the sublease contracts were agreed to between the Group and leasers, contributing RMB0.7 million to the sublet business.

Other Gains and Losses

For the year ended 31 December 2016, the Group's other gains and losses increased by 15.3% to a loss of RMB30.9 million from a loss of RMB26.8 million for the year ended 31 December 2015. The changing trend was primarily due to (i) a decline in impairment loss recognised on payments on behalf of residents under commission basis from RMB19.1 million to RMB17.3 million; (ii) an increase in impairment loss recognised on trade receivables from RMB9.4 million to RMB11.5 million, which the Group believes may not be recovered based on the Group's review of the balances for the Group's property management and engineering services contracts; and (iii) an increase in loss on disposal of property, plant and equipment from RMB0.6 million to RMB4.4 million.

Other Income

For the year ended 31 December 2016, other income increased by 42.0% to RMB19.6 million from RMB13.8 million for the year ended 31 December 2015. The increase was primarily attributable to (i) an increase in unconditional government grants from RMB6.3 million to RMB9.4 million; and (ii) an increase in investment income of financial assets designated as at FVTPL from RMB0.4 million to RMB2.8 million.

Selling and Distribution Expenses

For the year ended 31 December 2016, selling and distribution expenses decreased by 17.2% to RMB13.5 million from RMB16.3 million for the year ended 31 December 2015, mainly due to the one-off promotion expense for Caizhiyun platform incurred in 2015.

Administrative Costs

For the year ended 31 December 2016, the Group's administrative costs increased by 37.2% to RMB297.5 million from RMB216.9 million for the year ended 31 December 2015. The Group continues to tighten the cost control measures. The increase in administrative costs was primarily attributable to (i) with the expansion of the Group's business scale which is in line with the Group's growing GFA especially the growing GFA under lump sum basis, more back offices function personnel were retained for headquarter management function as well as other centralized services like finance and human resources services; (ii) the grant of share options by the Company on 18 March 2016, together with the batches granted on 2014 and 2015, resulting in a charge of an amount of RMB79.0 million administrative costs for the year ended 31 December 2016 (2015: RMB88.5 million); and (iii) 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 more new areas/cities.

Expenses recharged to Residential Communities under Commission Basis

For the year ended 31 December 2016, the Group's expenses recharged to residential communities under commission basis amounted to RMB66.3 million, representing an increase of 40.5% as compared to RMB47.2 million for the year ended 31 December 2015. These increases were primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc., and as such the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs was RMB38.0 million for the year ended 31 December 2016, which have increased by 242.3% as compared to RMB11.1 million for the year ended 31 December 2015, mainly due to (i) an increase of RMB14.4 million in the interest expense on the corporate bonds issued in 2016; (ii) an increase of RMB6.9 million in the interest expense on assets backed securities and (iii) an increase in the interest expense on bank borrowings from RMB10.9 million to RMB15.9 million.

Share Options

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

On 29 September 2014, 30 April 2015 and 18 March 2016, the Company granted 45,000,000, 25,000,000 and 34,247,488 share options to its employees, Directors, and certain non-controlling shareholders of the Company's subsidiaries for which the exercise price is HK$6.66 each, HK$11.00 each and HK$5.76 each respectively. The share option expense charged to the statement of profit or loss for the year ended 31 December 2016 was approximately RMB79.0 million.

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties decreased by 21.4% to RMB5.5 million in 2016 from RMB7.0 million in 2015. The continuous increasing fair value of the investment properties was primarily due to the growth in market value of the respective investment properties.

Income Tax Expenses

The Group's income tax expenses increased by 17.9% to approximately RMB81.8 million in 2016 from approximately RMB69.4 million in 2015. The increase was primarily due to an increase of current tax for EIT by 21.5% to RMB94.9 million from RMB78.1 million in 2015.

Adjusted Profit for the Year

Adjusted profit is defined as profit for the year before the costs of the Group's initial public and any other offering, the option program, depreciation, amortization and allowance for doubtful debt 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 year to the most directly comparable HKFRS measure:

	For the year ended 31 December		**Variance**	
	2016	2015		
	RMB'000	RMB'000	RMB'000	%
Profit for the year under HKFRS	**216,011**	182,655	33,356	18.3
Add:				
Share option expenses	**79,041**	88,479	(9,438)	(10.7)
Depreciation and amortization	**38,165**	21,055	17,110	81.3
Allowance for doubtful debt	**21,597**	21,350	247	1.2
Adjusted profit for the year	**354,814**	313,539	41,275	13.2

Property, Plant and Equipment

As at 31 December 2016, the carrying value of property, plant and equipment of the Group increased by 8.2% to approximately RMB180.8 million from approximately RMB167.1 million as at 31 December 2015, which was mainly due to (i) additions of the intelligent system alteration projects, which amounted to approximately RMB48.6 million; (ii) the addition of leasehold improvement amounted to RMB4.1 million; offset by (iii) the disposals of the office buildings by approximately RMB14.0 million; (iv) depreciation of RMB27.8 million provided for the year.

Intangible Assets

As at 31 December 2016, the carrying value of intangible assets held by the Group amounted to RMB210.3 million (31 December 2015: RMB152.0 million). The increase of intangible assets was mainly attributable to the increase of the property management contracts of the subsidiaries acquired by the Group, which were valued through the application of an income approach. The valuation of the intangible assets had been assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, with independent assessment reports issued.

Investment Properties

As at 31 December 2016, the investment properties held by the Group amounted to approximately RMB92.5 million (31 December 2015: RMB88.8 million). These investment properties had been assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, with independent assessment reports issued. The increase of Investment Properties was mainly due to the addition of investment properties by approximately RMB4.4 million and the growth in market value of the respective investment properties by approximately RMB5.5 million, offsetting the disposals of the investment properties by approximately RMB4.8 million.

Available-for-sale Investment

AFS investment represents (i) the 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 and primarily engaged in property management, asset operation and management and the relevant value added services for commercial properties in the PRC, and (ii) the investment in 蕪湖歌斐資產管理有限公司 Wuhu Gopher Asset Management Co., Ltd. ("Wuhu Gopher") and 深圳百城精工有限公司 Shenzhen Baicheng Jinggong Co., Ltd..

Goodwill

Since 1 January 2016, the Group has acquired 22 property companies, which generated the goodwill of RMB173.9 million for the year ended 31 December 2016. Based on the impairment assessment conducted by the management of the Company, there was no indication of impairment related to the goodwill, and no impairment provision was required for the year ended 31 December 2016.

Deferred Taxes

As at 31 December 2016, the deferred tax assets that resulted from the allowance on doubtful debt amounted to approximately RMB26.5 million. The Group's deferred tax liabilities that resulted from the amortisation of intangible assets, fair value adjustments of AFS investments, fair value adjustments of investment properties and temporary difference on long-term receivables and others were RMB73.9 million, in total.

Bank Balances and Cash

As at 31 December 2016, the Group's bank balances and cash increased by 79.9% to the equivalent of approximately RMB754.8 million from approximately RMB419.5 million as at 31 December 2015. The increase in bank balances and cash primarily resulted from: (i) net cash inflows of RMB321.8 million generated from operating activities; (ii) net proceeds of RMB388.1 million generated from the issuance of corporate bonds; (iii) net proceeds of RMB284.9 million in issue of assets backed securities; (iv) net cash outflows arising on acquisition of property management companies amounted to approximately RMB220.7 million; (v) cash advanced to debtors of RMB230.3 million; (vi) cash outflows of RMB84.7 million resulting from the payment of dividend declared for 2015; (vii) spending in subscribing shares in Shenzhen Home E&E and Wuhu Gopher respectively, amounted to approximately RMB110.0 million.

Trade and other Receivables and prepayments

Trade receivables mainly arose from management and service income under lump sum basis, installation contract income from engineering services and service income from common area rental assistance, online promotion services and other services.

As at 31 December 2016, total trade receivables of the Group amounted to approximately RMB278.8 million, which increased by approximately RMB92.3 million as compared to approximately RMB186.5 million as at 31 December 2015. The increase was mainly attributable to: (i) GFA of properties under lump sum basis from which the Group effectively generated income has increased 29.0 million sq.m. during the year 2016, and resulting in an increase of RMB54.0 million in the trade receivables. (ii) consulting fee charged for eight property management companies which the Group targeted to acquired contributing RMB22.9 million to trade receivable as at 31 December 2016 which will be settled after acquisition; (iii) as at 31 December 2016, certain copies of agreements has been entered into by the Group and several property developers. It was agreed that the installation service fee and pre-sale service fee charged by the Group to be settled by several designated properties other than cash and an aggregate amount of RMB40.4 million (2015: RMB23.0 million) for the trade receivable to be offset, by both parties. The balance of trade receivable remained unsettled because the property ownership certificates are under approval. The Group has subsequently collected the trade receivables of more than RMB40.6 million.

Other receivables and prepayments increased from approximately RMB117.7 million as at 31 December 2015 to approximately RMB203.5 million as at 31 December 2016, primarily attributable to: (i) an increase of RMB25.8 million in other deposit mainly from the rental deposit for the leasing of Shanghai Colour Life Times Plaza; (ii) the increase in advance to staffs of RMB20.3 million due to the expansion of the Group's business and the Group's growing contracted GFA; (iii) an increase of RMB12.1 million in prepayment to suppliers due to the prepayment of equipment upgrade projects, which were widely promoted among residential communities that the Group managed; (iv) an increase of RMB14.3 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; and (v) an increase of RMB7.7 million in payments on behalf of residents under lump sum basis due to the acquisition of property management companies charging on lump sum basis during the year 2016.

Payment/Receipts on Behalf of Residents

Payment/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity 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 fee 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, more and more projects newly entered into the Group's management system have difference in timing in between the property management fee collection and project optional cost spending.

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprise items such as payables to receipts on behalf of residents under lump sum basis, receipts on behalf of residents for residential communities under consultancy services arrangement, advance from customers, deposits received, accrued staff costs, other tax payable, provision for retirement benefit contributions and consideration payables for acquisition of subsidiaries, the specific analysis of which is as follows:

(1) Trade payables increased from approximately RMB80.2 million as at 31 December 2015 to approximately RMB114.0 million as at 31 December 2016. This was primarily due to the 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 RMB596.2 million as at 31 December 2016, primarily attributable to:

    (i) an increase of RMB60.8 million in advances from customers, RMB39.6 million in deposits received, and RMB4.1 million in receipts on behalf of residents under lump sum basis respectively, mainly due to the addition of 299 communities under lump sum basis via acquisitions of subsidiaries, such as Hongshan, Hongpeng and other property management companies;

    (ii) an increase of RMB20.2 million in accrued staff costs and RMB17.8 million in provision for retirement benefit contributions due to increase in number of employees with acquisition of new subsidiaries;

    (iii) an increase of RMB4.9 million in other tax payable due to the Group's increase in business scale; the outstanding tax payables increased from RMB47.8 million as at 31 December 2015 to RMB52.7 million as at 31 December 2016.

    (iv) an increase of RMB4.3 million in consideration payable for acquisition of subsidiaries due to the acquisition activities in 2016;

Financial Assets Designated at Fair Value through Profit or Loss

Financial assets designated at fair value through profit or loss includes (i) money market funds investment issued by a reputable securities corporation and (ii) debts invested through an online platform owned by Shenzhen Colour Pay Network Technology Co., Ltd. As at 31 December 2016, the balance of the financial assets designated at FVTPL were RMB83.3 million.

Share Capital

As at 31 December 2016, the total number of issued shares of the Company was 1,000,119,000 (31 December 2015: 1,000,119,000) and the share capital was RMB79,325,000 (31 December 2015: RMB79,325,000).

Cash Position

As at 31 December 2016, the Group's total cash including pledged bank deposits increased by 28.5% to approximately RMB1,247.5 million from approximately RMB970.9 million as at 31 December 2015. Among the total cash, RMB492.7 million (31 December 2015: RMB551.4 million) of 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 continued to be stable. As at 31 December 2016, the current ratio (current asset/current liabilities) of the Group was 1.9, which increased compared to 1.5 as at 31 December 2015. This increase arose from the receipt of the funding of totally RMB700.0 million from the corporate bonds and assets backed securities issued ("ABS").

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group had an aggregate bank borrowings of RMB660.3 million (31 December 2015: approximately RMB593.0 million), among which, approximately RMB490.0 million (31 December 2015: 543.0 million) of it was secured by the Group's bank deposit amounted to approximately RMB492.7 million (31 December 2015: RMB551.4 million) and approximately RMB71.7 million of it was secured by the equity of three companies, while the rest of RMB98.6 million was purely credit loan.

Net Gearing Ratio

The net gearing ratio was 5.9% as at 31 December 2016 (31 December 2015: 3.8%), resulting from additional RMB48.6 million of purely credit loan drawn down during the year. The net gearing ratio was measured by net debt (unsecured bank borrowings) over the total equity.

Currency Risk

The Group's operation is principally based 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 the foreign exchange fluctuation. For the year ended 31 December 2016, despite the depreciation of RMB against USD and HKD, the Directors do not expect any fluctuations in the RMB exchange rate would materially and adversely affect the operations of the Group.

Employees and Remuneration Policies

As at 31 December 2016, excluding the employees for communities under commission basis, the Group had approximately 7,727 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.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. TANG Xuebin (唐學斌), aged 49, was appointed as a director on 30 October 2012 and was re-designated as an executive director on 11 June 2014 and is also the chief executive officer of the Company. He joined the Group in 2002 and is responsible for the operation and management of the Group. He also serves as a general manager of a number of subsidiaries of the Group. Mr. Tang has over 17 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property management, from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree ("EMBA degree") from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012. He was enrolled in the entrepreneurship and operation programme of China Europe International Business School in 2016.

Mr. DONG Dong (董東), aged 53, was appointed as a director on 30 October 2012 and was re-designated as an executive director on 11 June 2014 and is also the chief operation officer of the Company. He joined the Group in 2004 and is responsible for the operation and management of information technology of the Group. He was the general manager of Shenzhen Kaiyuan Tongji from 2004 to 2005. In 2013, he became the vice president of the Group. Mr. Dong has 17 years of experience in property management. Prior to joining the Group, he was the manager, deputy manager and assistant manager of engineering department of China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property management, from September 1998 to January 2002, where he was primarily responsible for the management and operation of property development projects. He was the deputy chief engineer of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理公司), a company primarily engaged in property management, from February 2002 to December 2004, where he was primarily responsible for the management and operation of property development projects. He was the electrical engineer and chief officer (科長) of quality control department and the senior engineer of Xinjiang Construction Corps No. 1 Construction and Installation Company (新疆生產建設兵團第一建築安裝公司), a company primarily engaged in construction and development operation, from November 1993 to May 1996, where he was primarily responsible for the management and operation of engineering and construction projects. Prior to November 1993, he was also a teacher of Xinjiang Shihezi University (新疆石河子農學院). Mr. Dong attended and completed a Master research teaching assistance training course in fundamental physics (基礎物理) at Sichuan University (四川大學) in July 1992. Mr. Dong obtained the certificate of National Senior Engineer in July 1996. He also possesses the qualification as a Chinese government certified supervision engineer (國家註冊監理工程師) and registered real estate agent (國家註冊房地產經紀人). Mr. Dong obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013.

Directors' Profile

NON-EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍), aged 46, was appointed as a director on 16 March 2011 and was re-designated as a non-executive director on 11 June 2014 and is also the chairman of the Board. He joined the Fantasia Group in 1999 and is responsible for the overall operation of the Fantasia Group. He is also currently the president of Fantasia Group (China) Company Limited, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Fantasia Group's subsidiaries. Mr. Pan has over 18 years of experience in the real estate development industry in China and prior to joining the Fantasia Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司), a company primarily engaged in property agency operation, from March 1994 to September 1999, where he was primarily responsible for marketing and valuation matters. Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in July 1992 and holds an Executive Master of Business Administration degree from Tsinghua University. Mr. Pan is also qualified as a land valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Mr. LAM Kam Tong (林錦堂), aged 48, was appointed as a director on 30 October 2012 and was re-designated as a non-executive director on 11 June 2014. He is currently an executive director, chief financial officer and company secretary of Fantasia Holdings. Mr. Lam joined the Fantasia Group in May 2012 and is responsible for investor relations, financial and regulatory related matters of the Fantasia Group. Prior to joining the Fantasia Group, Mr. Lam was the executive director, chief financial officer and company secretary of China Aoyuan Property Group Limited (中國奧園地產股份有限公司) (stock code: 3883), a company listed on the Main Board of the Hong Kong Stock Exchange and primarily engaged in property development operation, from December 2008 to May 2012, where he was primarily responsible for the enforcement of compliance with the relevant laws and regulations, investor relations management, merger and acquisition and overseas financing. Mr. Lam has over 16 years of experience in professional audit and extensive experience in investor relations management, auditing, mergers and acquisitions and overseas financing. He is a member of the Hong Kong Institute of Certified Public Accountant and the Association of Chartered Certified Accountants. Mr. Lam obtained a Bachelor's degree in Business Management from the Chinese University of Hong Kong in July 1991. He was the company secretary and qualified accountant of Greentown China Holdings Limited (綠城中國控股有限公司) (stock code: 3900), a company listed on the Main Board of the Hong Kong Stock Exchange and primarily engaged in property development operation in the PRC, from May 2006 to October 2008, where he was primarily responsible for financial management and company secretary matters. Mr. Lam was an independent non-executive director of Sheng Yuan Holdings Limited (盛源控股有限公司) (stock code: 851), a company listed on the Main Board of the Hong Kong Stock Exchange and primarily engaged in the provision of financial services in Hong Kong, from November 2010 to March 2014. Mr. Lam is also currently an independent non-executive director of Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司) (stock code: 8039), an investment holding company listed on the Main Board of the Stock Exchange with its subsidiaries primarily engaged in film production, distribution and copyright licensing.

Directors' Profile

Mr. ZHOU Hongyi (周鴻禕), aged 46, was appointed as a non-executive director of the Company on 15 May 2015. He is the chairman of Qihoo 360 Technology Co. Ltd. ("Qihoo 360"), a leading company in internet industry in China. He has been a co-founder and the chief executive officer of Qihoo 360 since August 2006. Mr. Zhou has over ten years of managerial and operational experience in China's Internet industry. Prior to founding Qihoo 360, Mr. Zhou was a partner at IDG Ventures Capital since September 2005, a global network of venture capital funds, where he assisted small- to medium-sized software companies in sourcing funding to support their growth. Mr. Zhou was the chief executive officer of Yahoo! China from January 2004 to August 2005. In 1998, Mr. Zhou founded www.3721.com, a company engaged in Internet search and online marketing business in China, and served as its chairman and chief executive officer until www.3721.com was acquired by Yahoo! China in January 2004. He also serves as a director of a number of privately owned companies based in China. Mr. Zhou received his Bachelor's degree in computer software in 1992 and his Master's degree in system engineering in 1995 from Xi'an Jiaotong University, China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chun Hung, Anthony (譚振雄), aged 66, was appointed as an independent non-executive director on 11 June 2014. He has extensive experience in finance and advisory services in Hong Kong and the PRC. Since 2013, Mr. Tam has been a tax partner of Mazars which is primarily engaged in accounting and management consulting. Prior to that, he was a partner of Deloitte Touche Tohmatsu, a firm primarily engaged in accounting and management consultancy, from 1989 to 2013. He is the Deputy Chairman of the Tax Faculty of the Hong Kong Institute of Certified Public Accountants and one of the two program directors of the Advanced Taxation Program of the HKICPA. Mr. Tam is the assistant director and district treasury of Rotary International District 3450. Mr. Tam obtained a Bachelor's degree in engineering and management from McMaster University in May 1976 and a Master's degree in business administration from the University of Toronto in November 1983. Mr. Tam is a fellow member of the HKICPA, a member of the Institute of Chartered Accountants of Ontario and a certified tax advisor of the Taxation Institute of Hong Kong.

Dr. LIAO Jianwen (廖建文), aged 49, was appointed as an independent non-executive director on 11 June 2014. He is also the chairman of the remuneration committee, and members of the audit committee and nomination committee of the Company. Dr. Liao has extensive business teaching experience in the United States, Hong Kong and the PRC. He has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, Dr. Liao was an associate professor at the Stuart School of Business in Illinois Institute of Technology from 2006 to 2012. In 2001, he was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctoral's degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. He served as an independent non-executive director of Qihoo 360 and an independent non-executive director of China Mengniu Dairy Company Limited whose share are traded on the Main Board of the Stock Exchange. Dr. Liao is currently an independent non-executive director of Colour Life and 361 Degrees International limited, the companies are listed on the Main Board of the Stock Exchange.

Directors' Profile

Mr. XU Xinmin (許新民), aged 65, has the title of real estate economist with over 22 years of experience in the real estate industry. Mr. Xu has participated in the setting up of the China Property Management Institute (中國物業管理協會) and all of its subsequent national member congresses since 2000. Since March 2001, he has served as the general officer of the integration division of the China Property Management Institute. Since June 2003, Mr. Xu has been the deputy secretary-general of the China Property Management Institute and is primarily responsible for the organisation and implementation of the national property management model evaluation and acceptance. From 2004 to 2009, Mr. Xu was a senior adviser of the Property Management Branch of the Higher Education Academy of China (中國高等教育學會). From June 1991 to February 2001, Mr. Xu was the director of each of the Housing Management Bureau (房管處) and the Property Management Bureau (物業管理處) of Changzhou, Jiangsu Province where he was primarily responsible for the setting up of the Changzhou Property Management Institute (常州市物業管理協會). Mr. Xu obtained a Bachelor's degree in Business Administration from China Forestry University (中國林業大學) in 2005.

Senior Management's Profile

Mr. YE Hui (葉暉), aged 44, is the general consultant of the Group. He joined the Group in 2004 and is responsible for the development and management of planning and marketing department. He served on various positions within the Group, including but not limited to the general manager of Shenzhen Colour Life Network Service and Shenzhen Colour Life Property Management, both of which are indirect wholly owned subsidiaries of the Group. Mr. Ye has over 22 years of experience in engineering and property management. Prior to joining the Group, he worked as the manager and software engineer of software development department in Shenzhen Corad Technology Co., Ltd. (深圳嘉兆科技有限公司), a company primarily engaged in computer circuit technology operation, from September 1992 to March 1996, where he was primarily responsible for software development. He was the general manager of Dima Electronics (Shenzhen) Co., Ltd. (迪馬電子(深圳)有限公司) , a company primarily engaged in information system, from March 1996 to April 2001, where he was primarily responsible for the development of information systems. He was the partner and general manager of Shenzhen Teamtop Technology Co., Ltd. (深圳市天拓科技有限公司), a company primarily engaged in mobile game development, from April 2001 to March 2004, where he was primarily responsible for the overall operations of the company. Mr. Ye graduated from Zhejiang University (浙江大學) with a Bachelor's degree of industrial electrical automation (工業電氣自動化) in July 1992 and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013 and attended the EMBA course at Tsinghua University, Beijing in September 2015.

Mr. CHANG Rong (昌榮), aged 40, is a vice president of the Group. He joined the Group in 2002 and is responsible for the operation and management of the fundamental service segment of the Group. He has about 16 years of experience in property management. Prior to joining the Group, he worked as the project director and assistant manager in China Overseas Property Management Co., Ltd. (中海物業管理有限公司, a company mainly engaged in property development) from July 1998 to December 2002, where he was primarily responsible for management of property development projects. Mr. Chang graduated from Tongji University (同濟大學) with a Bachelor's degree in industrial electrical automation (工業電氣自動化) in July 1998, obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013 and attended the EMBA course at Tsinghua University (清華大學), Beijing in September 2015.

Mr. GUAN Jiandong (關建東), aged 39, is a vice president of the Group. He joined the Group in 2001 and is responsible for the operation and management of the Colour Life Property project of the Group. He served on various positions within the Group, including but not limited to the general manager of Shenzhen Kaiyuan Tongji and Shenzhen Colour Life Network Service, both of which are indirect wholly owned subsidiaries of the Company. He has over 17 years of experience in engineering and property management. Prior to joining the Group, he worked as the head of management office, vice president of electrical and mechanical services department and manager of community network department in China Overseas Property Management Co., Ltd. (中海物業管理有限公司, a company mainly engaged in property management) from July 1998 to December 2001, where he was primarily responsible for the management and operation of software and engineering services. Mr. Guan obtained a Bachelor's degree of heating, ventilating and air conditioning (暖通空調) from Huazhong University of Science and Technology (華中理工大學) in June 1998. He obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013. He obtained a Master's Degree in Engineering from Tongji University (同濟大學) in 2016 and attended the EMBA course at China Europe International Business School in September 2015.

Senior Management's Profile

Dr. DUAN Feiqin (段斐欽), aged 38, is a vice president of the Group. He joined the Group in December 2014 and is responsible for the Group's ecosystem and investor relations matters. Mr. Duan has about 12 years of experience in corporate strategic management, industry research and capital markets. Prior to joining the Group, he worked as the oversea chief industry analyst of China Merchants Securities from July 2011 to September 2014, where he was primarily responsible for Hong Kong and overseas real estate and related industries and company research and involved in the listing related work of a number of real estate companies in Hong Kong. From August 2010 to July 2011, he worked as the planning manager of OCT Real Estate Co., Ltd. (華僑城房地產股份有限公司) and was primarily responsible for the strategic development and business plan management of the company. From November 2006 to September 2009, he worked as the senior manager of Wuhan Wangjiadun Central Business District Construction Investment Co., Ltd. (武漢王家墩中央商務區建設股份有限公司) under Oceanwide Construction (泛海建設) and was responsible for financing plan, etc. Prior to 2006, he worked as the deputy marketing director of Changsha Branch of Narada Real Estate Group (南都房地產集團) from March 2005 to July 2006, where he was responsible for the related project planning and sales. Mr. Duan graduated from Wuhan University (武漢大學) with a Doctoral degree in economics in July 2010. He obtained a Master's degree in urban and regional development studies and management from London School of Economics and Political Science in November 2004 and a Bachelor of engineering degree in urban planning from Hunan University (湖南大學) in July 2001. He attended the EMBA course at Guanghua School of Management of Peking University in March 2016.

Mr. LIU Chang (劉暢), aged 40, is the chief financial officer (CFO) of the Group. He joined the Group in June 2016 and is responsible for the financial management of the Group. Mr. Liu has more than 15 years' experience in financial management. Prior to joining the Group, he was the financial director of Shenzhen Noposion Agrochemicals Co. Ltd. from April 2015 to May 2016, where he was primarily responsible for the corporate financial management of that company. From November 2009 to April 2015, he was an assistant to the executive president of GCL-Poly Energy Holdings Limited, where he was primarily responsible for the strategic control and management of the group as well as its capital operation. From November 2004 to November 2009, he worked in Huawei Technologies Co. Ltd. and was primarily responsible for regional financial management in Latin America and Southeast Asia respectively. From July 2001 to November 2004, he was a budget supervisor of Kingdee International Software Group Company Limited and was primarily responsible for the annual budget of the group. Mr. Liu graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor degree in Economics in July 2001, and then obtained the qualification of the Association of International Accountants (AIA) and became a member of Institute of Public Accountants, Australia (FIPA). He obtained an MBA degree from Manchester Business School in June 2016.

Mr. ZHANG Qiliang (張其亮), aged 44, is the chief research scientist of the Group. He joined the Group in December 2015 and was responsible for relevant research in development, transformation and upgrade of future properties, including development of property ERP system, Internet of Things, community finance and big data. Mr. Zhang Qiliang has approximately 21 years of experience in the development of information technology in large commercial banks. Prior to joining the Group, he acted as the chief architect of Cisco System，China in the financial industry in Greater China from December 2002 to September 2014 and mainly provided system design and consultation service for large commercial banks in China in respect of their information technology infrastructure throughout the banks. He was the senior consultant engineer in Marconi Communications Inc. (Beijing) from December 2000 to November 2002 and the Advisory IT Specialist in IBM (China) from July 1998 to December 2000. Mr. Zhang has been a part-time lecturer in the Executive Education Center of PBC School of Finance of Tsinghua University since 2013, teaching courses related to internet finance and transformation of traditional businesses. Mr. Zhang graduated from the Department of Electronic Engineering in Tsinghua University (清華大學) with a Bachelor's degree in engineering in July 1995, and owns triple CCIE (number 6099, including SNA/IP, safety and routing switching) as well as ITILv3.0 and TOGAF developed by The Open Group.

Senior Management's Profile

Mr. QIAN Kun (錢坤), aged 47, is a senior adviser to the Group. He joined the Group in August 2006 and is responsible for overall operation and management of the Group's E-bill payment division. He has about 24 years of experience in financial management, budgeting and cost control. Prior to joining the Group, he worked as the chief financial officer of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) which is a wholly-owned subsidiary of Shenzhen Excellence Real Estate Group (深圳卓越置業集團) from January 2001 to July 2006, where he was primarily responsible for the financial management of the company. From October 1997 to December 2000, he worked as the head of finance of Shenzhen Zhenghua Holding Transportation Group Company (深圳市政華控股交通集團公司) and was primarily responsible for the financial management of the company. He graduated in accounting in 1992 and became a qualified accountant in 1999. He obtained a Master's degree in accounting from Wuhan University (武漢大學) in 2008 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

Mr. CAI Guoqi (蔡國奇), aged 51, is a senior adviser to the Group. He joined the Group in 2008 and is responsible for the overall management of affairs at the Party Branch. Mr. Cai has over 12 years of experience in corporate management. Prior to joining the Group, he was the deputy manager and the Party Branch Secretary of Zhuzhou Pharmaceutical Processing Factory (株洲選礦藥劑廠) from 1999 to 2001, where he was principally responsible for manpower services, and the chief officer of Zhuzhou Torch Industrial Furnace Co, Ltd (株洲火炬工業爐責任有限公司), a company which is principally engaged in research and development, design, manufacture and installation of energy-saving services for nonferrous metallurgy equipment from July 2005 to August 2008. Mr. Cai graduated from Central South University (中南大學) with a Bachelor's degree in management accounting in July 1987. He obtained a mid-level qualification certificate in the specialty of industrial economist in November 1998. Mr. Cai obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

Ms. DING Yang (丁楊), aged 41, is an assistant president of the Group. She joined the Group in 2004. Ms. Ding is primarily responsible for branding and management of the Group. Ms. Ding has over 12 years of experience in marketing development and branding. From 2004 to 2006, she was the head of marketing department of the Group, responsible for market planning management, market development management and the nationwide expansion of the Group's management service project. Since 2007, she has been the head of the brand center of the Group, responsible for the Group's brand creation and planning, brand maintenance, brand planning and promotion, implementing corporate culture and promoting corporate image. Ms. Ding obtained a diploma from Liaoyuan Normal School (遼源師範學校) in July 1996.

Ms. YU Haihua (于海華), aged 37, is the CHO of the Group. She joined the Group in 2011 and is responsible for overall human resources strategic planning and enforcement and served as the acting principal of the training school, the administration manager of chairman office and the assistant to general manager. She has been the director of the Group's human resources center since 2012. Ms. Yu has over 9 years of experience in human resource management. Prior to joining the Group, Ms. Yu worked as the human resource manager of the greater China region for Quick Printing (Shenzhen) Co., Limited (快速印刷(深圳)有限公司, a company mainly engaged in financial printing) from September 2006 to February 2008. She was the assistant to the chairman of Shenzhen Daihing Automobile Group Co., Ltd. (深圳市大興汽車集團有限公司, a company mainly engaged in sales of automobiles) from February 2008 to March 2011. Ms. Yu obtained a diploma in public management from China Central Radio and TV Virtual University (中央廣播電視大學) in March 2006. Ms. Yu received a Master's degree of Psychology (applied psychology) from Sun Yat-Sen University (中山大學) in June 2014. Ms. Yu obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

Senior Management's Profile

Ms. HAN Jinjin (韓金金), aged 40, is the CXO of the Group. She joined the second-tier subsidiary of the Group in May 2013 and was redesignated to the CEO office of the Group in May 2014 and is responsible for the general operation and management of the CEO office and acted as an executive director of Shenzhen Caizhicai Supply Chain Management Co., Ltd (深圳市彩之採供應鏈管理有限公司). Ms. Han has over 12 years of experience in corporate management. Prior to joining the Group, from May 2002 to December 2012, she was the branch manager of Shenzhen Daihing Automobile Group (深圳大興汽車集團) and was primarily responsible for the overall operation and management of the branch. From July 1998 to February 2002, she worked at Guangdong Sangem Group (廣東三正集團), where her last position held was the public relations manager of the group and was primarily responsible for the external publicity management of the group. Ms. Han graduated from City University of Macau (澳 門 城 市 大 學) with a Master's degree in July 2004 and obtained a management course certificate from Peking University HSBC Business School in January 2013.

Mr. YAO Qi (姚琦), aged 49, is the senior director of the Group's marketing center. He joined the Group in April 2014 and is responsible for the market development and management issues of the Group. Mr. Yao has 25 years of experience in real estate development, marketing planning and property management. Prior to joining the Group, he was the deputy general manager of Shenzhen Caizhijia Real Estate Planning Co., Ltd, a company mainly engaged in property banking, investment operation and marketing agency, from June 2013 to March 2014, where he was primarily responsible for real estate project marketing agency. From September 2012 to May 2013, he worked as the director of sales planning center for Zhuhai Great Aim Group (珠海市華策集團公司, a company mainly engaged in property development and property management), where he was primarily responsible for the planning and marketing of the group's real estate projects in various regions. From September 2010 to August 2012, he was the general manager of Zhongshan Hongguan Real Estate Planning Co., Ltd (中山紅館房地產策劃有限公司, a company mainly engaged in property marketing agency), where he was primarily responsible for the agency planning and marketing of the real estate projects. From April 2004 to February 2009, he worked as general manager in Zhongshan Feixiong Real Estate Planning Co., Ltd (中山飛熊房地產策劃有限公司), where he was responsible for agency planning and marketing of real estate projects. Mr. Yao graduated from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (currently known as Changchun University of Science and Technology (長春理工大學)) with a Bachelor's degree in engineering in July 1989.

Mr. FU Guojun (付國君), aged 43, is the senior director of the Group's operation center. He joined the Group in August 2015 and is responsible for the management of the operation and management of the operation center of the Group. He has approximately 17 years of experience in the service industry. Prior to joining the Group, he was the sales and marketing director of Xibei Catering Group (西 貝 餐 飲 集 團) from August 2004 to March 2007, the senior marketing director of South Beauty Group (俏江南餐飲集團) from April 2007 to May 2008, the general manager of operation of Banana Leaf Catering Group (蕉葉飲食集團) from June 2008 to September 2010, the operation director of Hai Di Lao Group (海底撈集團) from October 2010 to July 2014 and he taught at Yangzhou Hospitality Institute, a partner institution of Ecole hôtelière de Lausanne (瑞士洛桑酒店管理學院), from July 2014 to July 2015 with the responsibility of teaching hotel operation and management, students enrolment as well as duties of teaching management. Mr. Fu graduated from Beijing Institute of Graphic Communication (北 京 印 刷 學 院) in 1998 and obtained a Master's degree in Business Administration from Business School of Beijing Normal University (北京師範大學) in July 2013.

Senior Management's Profile

Mr. LAI Anqin (賴安秦), aged 39, is the senior director of the operation centre of the Group. He joined the Group in January 2017 and is responsible for operation of community Internet. He has 12 years of experience in relation to Internet and wireless Internet. Prior to joining the Group, he held the position of chief operation officer — products at OPPO Wireless Internet Company (OPPO無綫互聯網公司, a company principally engaged in sales of mobile phones and Internet value-added service businesses) from March 2015 to January 2017, where he was responsible for products and operation in the e-commerce value-added business. From August 2013 to March 2015, he was the general manager of Online Dating Providers Ecosystem Service Company of Zhejiang (浙江真愛網商生態服務公司, a company principally engaged in e-commerce ecosystem service) and was responsible for products and operation of the e-commerce ventures incubation ecosystem. From December 2007 to August 2013, he was the senior operation specialist in Alibaba Group, a company mainly engaged in e-commerce and was primarily responsible for products and operation of Taobao and Tmall. From November 2005 to December 2007, he worked as the senior strategic manager of Tencent Holdings Limited, a company mainly engaged in internet value-added service and was primarily responsible for research and analysis of internet module and strategic execution and follow-up work. From September 2001 to October 2005, he was the senior consultant of Shenzhen Ougude Corporate Management and Consultancy Limited (深圳歐顧得企業管理諮詢有限公司, a company mainly engaged in management and consultancy) and was primarily responsible for consultancy and research of mobile projects. Mr. Lai graduated from Lanzhou University (蘭州大學) of Finance and Economics with a Bachelor's Degree in Economics in July 2001.

Mr. ZHENG Jiabin (鄭家斌), aged 33, is the senior director of the Group's product, Colour Wealth Life, and joined the Group in September 2015, responsible for the operation and management of the Colour Wealth Life segment of the Group. Mr. Zheng has more than 11 years of experience in internet and marketing. Prior to joining the Group, with regard to work experience, he was the product operation director of Jiazheng online (家政在綫) (Jiazheng O2O model (家政O2O模式)) from November 2014 to July 2015 and was mainly responsible for the establishment of product system and operation system. He worked in Alibaba Group from May 2008 to May 2013 and his last position was the product operation director and supervisor. During his period of service in Alibaba, he was responsible for the planning and the establishment and implementation of the operating rules of cloud market business of YunOS (雲OS) (a subsidiary of Alibaba Group) from September 2011 to May 2013. In May 2008, Alibaba acquired PHPWIND and the team was incorporated into Alibaba and he successively worked in various subsidiaries including PayPal and Alibaba Cloud Computing. In September 2011, he was responsible for the implementation and promotion of the business strategies of PHPWIND, as well as other business of the Group he served. He was the product technical director of PHPWIND, which was co-founded by him and was the second largest community generic product service provider in China, from June 2005 to May 2008 with responsibilities mainly covering product planning, operation, promotion and team management. In regard to experience in other projects, he acted as the telephone advisor of PeoplePlus Network (怡信諮詢), the implementation advisor of World's Factory (世界工廠) and the implementation advisor of yangche51.com (養車無憂網) in an advisory capacity from June 2013 to November 2014, assisting various enterprises in establishment of internet system platforms, development of business models and modification of product systems and operating systems.

Ms. YANG Laiying (楊來瑛), aged 43, is the senior director of planning and integration centre of the Group. She joined the Group in May 2006 and served the property segment. Ms. Yang Laiying has over 15 years of work experience in property management. Prior to joining the Group, she worked as a project manager in Shenzhen Rongjiang Property Management Limited (深圳市榕江物業管理有限公司), a company primarily engaged in real estate development and property management operation from January 2002 to May 2006 and was mainly responsible for property management works. Ms. Yang graduated from Southwest University (西南大學) and obtained tertiary education qualification in July 1995. She obtained a Bachelor's Degree in business and corporate administration in Zhongnan University of Economics and Law (中南財經政法大學) in July 2013.

Report of Directors

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 90.

A fair review of the business of the Group during the year and its future development, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on environmental policies and performance, and relationships with stakeholders as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) are set out in "Environmental, Social and Governance Report" on pages 9 to 16, "Chairman's Statement" on pages 17 to 20 and the "Management Discussion and Analysis" on pages 21 to 42 of this annual report which constitute part of this report of the Directors.

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK10.00 cents per share amounting to HK$100,011,900 payable on Wednesday, 7 June 2017 to all persons registered as holders of shares of the Company on Thursday, 1 June 2017, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

SHARE CAPITAL

As at 31 December 2016, the total number of issued shares of the Company was 1,000,119,000 (31 December 2015: 1,000,119,000) and the share capital was RMB79,325,000 (31 December 2015: RMB79,325,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2016, calculated under the Cayman Islands Companies Law, amounted to RMB522.3 million (2015: RMB603.8 million) representing share premium of RMB519.8 million, Shares held for Share award Scheme of RMB9.0 million, share option reserve of RMB197.2 million, and accumulated loss of RMB185.7 million.

Report of Directors

DIRECTORS

The Directors during the year and up to the date of this report were:

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

In accordance with Article 84 of the Articles of Association, Mr. Dong Dong, Mr. Lam Kam Tong and Dr. Liao Jianwen shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Each of the Directors has entered into a service contract (for executive Directors) or signed an appointment letter (for non-executive Directors and independent non-executive Directors) with the Company for a term of three years with effect from either 30 June 2014 (date of listing of the Company's shares on SEHK) or their respective effective date of appointment which may be terminated by no less than three months' notice in writing served by either the Director or the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2016 is set out below:

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	13
	15

Details of the remuneration of each of the Directors for the year ended 31 December 2016 are set out in note 9 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION

As at 31 December 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 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)	720,988,259	72.09%
	Beneficial owner(3)	1,098,940	0.11%
		722,087,199	72.20%
Mr. Dong Dong	Beneficial owner(3)	1,026,300	0.10%
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 217,031,477 shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.

(2) Under a concert party agreement dated 29 June 2015 entered into between Fantasia Holdings and Splendid Fortune ("Concert Party Agreement"), each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Mr. Tang is also deemed to be interested in the 503,956,782 shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

(3) These are share options granted to the Directors of the Company under the Share Option Scheme (details of which are stated under the sub-section headed "Share Option Scheme" below).

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

Name of director	Name of associated corporation	Capacity/ Nature of interest	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 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 31 December 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.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by the Company, during or subsisted at the end of the year 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("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 Share Option Scheme is a share incentive scheme and is established to recognise, acknowledge and reward Eligible Participants (as defined herein) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company. Eligible Participants of the Share Option Scheme include Directors and employees of the Group and any advisors, consultants, distributors, suppliers, agents, customers, and such other persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, being 1,000,119,000 shares, which represented approximately 10% of the issued share capital of the Company as at the date of this annual report, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 90,711,136, representing 9.07% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non- executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

An offer of a grant of an option under the Share Option Scheme shall remain open for acceptance for 30 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the SEHK on the date of grant, (ii) the average closing price of the shares as stated in the daily quotation sheets of the SEHK for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption.

The summary below sets out the details of movement of the share options for the year ended 31 December 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 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2016	Weighted average closing price immediately before exercise HK$	Note
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	–	–	(128,000)	–	–	(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)
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 Director and certain minority shareholders of the Company's subsidiaries	29 September 2014	6.66	6.66	17,428,010	–	–	(2,185,559)	15,242,451	–	(1)
				20,511,350			(1,078,196)	19,433,154	–	(2)&(5)
	30 April 2015	11.00	10.88	23,452,300	–	–	(4,651,187)	18,801,113	–	(3)
	18 March 2016	5.764	5.76	–	32,787,488	–	(1,333,750)	31,453,738	–	(4)
Total				66,483,140	34,247,488	–	(10,019,492)	90,711,136	–	

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) 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.

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

Share Award Scheme

According to the Board Resolution passed on 4 July 2016, a share award scheme was adopted by the Board. 1,607,000 shares were purchased from the market during the year ended 31 December 2016 for the share award scheme. Such stocks have not been granted to staff as at 31 December 2016.

Corporate Bonds

In January 2016, 深圳市彩生活服務集團有限公司, Shenzhen Colour Life Services Group Co., Ltd. ("Shenzhen Colour Life"), a wholly-owned subsidiary of the Company, issued domestic corporate bonds in aggregate principal amount of RMB100,000,000 ("Domestic Corporate Bonds I"). The Domestic Corporate Bonds I are guaranteed by 花樣年集團(中國)有限公司, Fantasia Group (China) Ltd. ("Fantasia China"), carrying a nominal interest at rate of 6.7 % per annum and interest is payable annually, commencing in January 2016. The issue price is 98.8% of the principal. The effective interest rate is 7.9% per annum. The Domestic Corporate Bonds I will mature in January 2019.

In September 2016, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB300,000,000 ("Domestic Corporate Bonds II"). The Domestic Corporate Bonds II are guaranteed by Fantasia China, carrying a nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in September 2016. The issue price is 97.1% of the principal. The effective interest rate is 8.1% per annum. The Domestic Corporate Bonds II will mature in September 2019.

At the end of the second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of Domestic Corporate Bonds II may at their options ("Put Options") to sell back the bonds to the Group in whole or in part at face value of their principal amount. The bonds contain a liability component and the Put Options. Put Options held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options is not separated from liability component.

Assets Backed Securities Issued

On 30 August 2016, Shenzhen Colour Life issued ABS under securitisation arrangements collateralised by the future cash inflows relating to certain trade receivables for the payments of property management fee and guaranteed by Fantasia China. The ABS were issued at discount of 5% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may their options ("Put Options") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Options held by the bonds holders is regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options is not separated from liability component.

For the year ended 31 December 2016, the Group repaid the principle and the interest according to the agreement. The balance of the ABS was RMB275.1 million.

Save as disclosed, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's Listed Securities during the year ended 31 December 2016.

BORROWINGS

Details of the borrowings of the Group are set out in note 29 of the consolidated financial statements.

RIGHTS TO ACQUIRE SHARES

Save for the share options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed "Continuing Connected Transaction" in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as the Directors are aware, the following substantial shareholders (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
Ms. Zeng Jie, Baby	Interest of controlled corporation(1)&(2)	722,331,259	72.22%
Ice Apex	Interest of controlled corporation(1)&(2)	722,331,259	72.22%
Fantasy Pearl	Beneficial owner	1,343,000	
	Interest of controlled corporation(1)&(2)	720,988,259	
		722,331,259	72.22%
Fantasia Holdings	Beneficial owner(1)	503,956,782	
	Other interest(2)	217,031,477	
		720,988,259	72.09%
Splendid Fortune	Beneficial owner(3)	217,031,477	
	Other interest(4)	503,956,782	
		720,988,259	72.09%
Colour Success	Interest of controlled corporation(3)&(4)	720,988,259	72.09%

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 31 December 2016, no other persons, 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2016, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or suppliers.

CONNECTED TRANSACTION

Investment Agreement

On 25 August 2016, Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司) ("Wuhu Gopher"), Fantasia China, Shenzhen Colour Life, Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("Home E&E"), and Shenzhen Jiaxin Information Consulting Services Co., Ltd. (深圳市嘉信諮詢服務有限公司) ("Shenzhen Jiaxin") entered into an investment agreement (the "Investment Agreement") in relation to the formation of the Fund for a period of 2 years (which may be extended where necessary) with the estimated capital contribution of RMB980 million. The capital contribution to be made by subscribers to be procured by Wuhu Gopher (or its related companies), Fantasia China, Shenzhen Colour Life (or its related companies) and Home E&E (or its related companies) would be RMB600 million, RMB260 million, RMB60 million and RMB60 million, representing approximately 61.3%, 26.5%, 6.1% and 6.1% of the total capital contribution of the Fund, respectively, and will be satisfied by cash.

As at the date of the Investment Agreement, Fantasia Holdings was interested in approximately 72.06% of the issued shares of the Company. Fantasia Holdings is the controlling shareholder and a connected person of the Company. The entering into of the Investment Agreement constitutes a connected transaction for Colour Life for the purpose of the Listing Rules. Details of the Investment Agreement are set out in the announcement of the Company dated 25 August 2016.

Share Transfer Agreement

On 9 October 2016, Shenzhen Colour Life entered into the Share Transfer Agreement with Shenzhen Fantasia Real Estate Group Co., Ltd. (深圳市花樣年地產集團有限公司) ("Fantasia Real Estate Group") pursuant to which Shenzhen Colour Life agreed to transfer the entire registered capital in Shenzhen Xingyanhang Real Estate Co., Ltd. (深圳市星彥行置業有限公司) ("Shenzhen Xingyanhang") to Fantasia Real Estate Group (the "Disposal") for a consideration of RMB13,000,000. Upon completion of the Disposal, the Group will no longer have any interest in Shenzhen Xingyanhang.

Fantasia Real Estate Group is a subsidiary of Fantasia Holdings, the controlling shareholder and a connected person of the Company. Accordingly, the entering into of an share transfer agreement constitutes a connected transaction for the Company. Details of the Disposal are set out in the announcement of the Company dated 11 October 2016.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2016.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2016. Details of the transactions are set out in note 43 to the consolidated financial statements and below:

1. Provision of Engineering Services by Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji ") to the Fantasia Group

   On June 11, 2014, Shenzhen Kaiyuan Tongji entered into an engineering services framework agreement (the "2014 Engineering Services Agreement") with Fantasia Group (China) Co., Ltd. ("Fantasia Group (China)") and Shenzhen Fantasia Real-estate Group Ltd. ("Shenzhen Fantasia"), each an indirect wholly-owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide engineering services, including but not limited to installation and fitting of power systems, energy-saving lights and other related services to the Fantasia Group in respect of certain properties developed by each of them (the "Engineering Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

   Each of Fantasia Group (China) and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Engineering Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Engineering Services Agreement have been set out in the section "Connected transaction" in the Company's prospectus dated 17 June 2014.

   On 30 November 2016, Shenzhen Kaiyuan Tongji, a wholly-owned subsidiary of the Company, entered into a supplemental agreement (the "Supplemental Agreement") with Fantasia Group (China) and Shenzhen Fantasia to revise the annual cap of the continuing connected transactions for the year ending 31 December 2016 under the Engineering Services Agreement. The revised annual cap under the 2014 Engineering Services Agreement for the year ending 31 December 2016 was RMB23,000,000. The details of the Supplemental Agreement have been set out in the Company's announcement dated 30 November 2016.

   For the year ended 31 December 2016, the fees payable by the Fantasia Group to the Group for the provision of the Engineering Services under the 2014 Engineering Services Agreement amounted to RMB21.9 million, which was within the annual cap of RMB23,000,000 for the same period.

   The 2014 Engineering Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia Group (China), Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2017 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB40.0 million, RMB40.5 million and RMB41.0 million for each of the years 2017, 2018 and 2019 respectively.

2. Provision of Pre-delivery Property Management Services by Shenzhen Colour Life Property Management Co., Ltd. ("Shenzhen Colour Life Property Management") to the Fantasia Group

   On 11 June 2014, Shenzhen Colour Life Property Management entered into a pre-delivery property management services framework agreement (the "2014 Pre-delivery Property Management Services Agreement") with Fantasia Group (China) and Shenzhen Fantasia, each an indirect wholly-owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Colour Life Property Management agreed to provide pre-delivery property management services which can be categorized into services to be provided at the pre-sale and pre-delivery stages, including but not limited to (i) the provision of on-site security, cleaning and other related services as well as customer services to be provided to the property sales centre of the Fantasia Group such as concierge services, customer car parking guidance at the pre-sale stage and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments, the Fantasia Group in respect of certain properties developed by it (the "Pre-delivery Property Management Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

   Each of Fantasia Group (China) and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Pre-delivery Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Pre-delivery Property Management Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

   For the year ended 31 December 2016 the fees payable by the Fantasia Group to the Group for the provision of Pre-delivery Property Management Services under the 2014 Pre-delivery Property Management Services Agreement amounted to RMB5.3 million, which was within the annual cap of RMB21,000,000 for the same period.

   The 2014 Pre-delivery Property Management Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia Group (China), Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2017 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB23.0 million, RMB25.0 million and RMB28.0 million for each of the years 2017, 2018 and 2019 respectively.

3. Provision of Network and Advertising Services by Shenzhen Colour Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") to the Fantasia Group

   On 29 December 2016, Shenzhen Colour Life Network Service entered into a network and advertising services agreement (the "2016 Network and Advertising Services Agreement") with 深圳市合和年投資諮詢有限公司 (Shenzhen Hehenian Investment Consultancy Co., Ltd.*) ("Shenzhen Investment Consultancy"), an indirect wholly-owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Colour Life Network Service agreed to provide network and advertising services in connection with the financial value-added services procured by the Fantasia Group, including but not limited to the provision of the online platform (including Caizhiyun platform) for the customers of the Fantasia Group and the advertising services (the "Network and Advertising Services"), for a term commencing from 1 January 2016 and ending on 31 December 2016.

Shenzhen Investment Consultancy is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2016 Network and Advertising Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2016 Network and Advertising Services Agreement have been set out in the Company's announcement dated 29 December 2016.

2016 Network and Advertising Services Agreement expired on 31 December 2016. On 29 December 2016, Shenzhen Investment Consultancy and Shenzhen Colour Life Network entered into 2017 Network and Advertising Services Agreement, pursuant to which, Shenzhen Colour Life Network agreed to provide Network and Advertising Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB36.0 million, RMB38.0 million and RMB40.0 million for each of the years 2017, 2018 and 2019 respectively.

For the year ended 31 December 2016, the fees payable by the Fantasia Group to the Group for the provision of the Network and Advertising Services under the 2016 Network and Advertising Services Agreement amounted to RMB25.0 million, which was within the annual cap of RMB27,000,000 for the same period.

4. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. The Company's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Company's website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor to the Company on PRC law, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan and Mr. Tang entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. The Company is exploring various opportunities in building up our 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. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure — The Structured Contracts" in the Company's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of the Company and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan, being the chairman and a non-executive director of the Company, an executive director and a substantial shareholder of Fantasia Holdings, and as to 30% by Mr. Tang, being an executive director, the chief executive officer and a substantial shareholder of the Company, Mr. Pan and Mr. Tang are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB20.6 million for the year ended 31 December 2016 and approximately RMB3.4 million as of 31 December 2016, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the SEHK had granted a waiver that the Structured Contracts are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Pan and Mr. Tang may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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"), 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 is currently kept by Mr. Duan.

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.

The independent non-executive Directors of the Company, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, have reviewed the Structured Contracts and confirmed that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Shenzhen Caizhiyun Network and its subsidiaries have been mainly retained by the Group; (ii) no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders; and (iii) any new Structured Contracts entered into, renewed or reproduced between Shenzhen Caizhiyun Network and the Group during the year are fair and reasonable, or advantageous, so far as the Company are concerned and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have discussed with the senior management of the Company on the agreements of the abovementioned continuing connected transactions and reviewed these continuing connected transactions and confirmed that the continuing connected transactions abovementioned have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better;

(iii) and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions;

(iv) have exceeded the annual caps.

OTHERS

The continuing connected transactions disclosed above also constitutes related party transaction under the International Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 43 to the consolidated financial statements. Save for item (c) therein which also constitutes connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules, other related party transactions do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

On 11 June 2014, Fantasia Holdings executed in favour of the Company, a deed of non-competition (the "Deed of Non-competition") pursuant to which Fantasia Holdings undertakes, among others, that during the period commencing from 30 June 2014 and until the earlier of (i) the date on which the Company's shares cease to be listed on the SEHK; or (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more of the Company's shares:

(i) Fantasia Group will not engage in any business involving the following activities:

- property management focusing on residential communities;
- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Company's equipment leasing; or
- community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.

(ii) in relation to the residential communities developed by Fantasia Group, Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and

(iii) if Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable the Company to evaluate the merits of the same.

Pursuant to the annual declaration made by Fantasia Holdings in relation to the compliance with the Deed of Non-competition, Fantasia Holdings confirms that during the year ended 31 December 2016, (i) all the relevant terms of the Deed of Non-competition have been fully complied with in all material respects; and (ii) Fantasia Holdings has not identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the controlling shareholders of the Company and their respective associates and the Group and to protect the interests of the shareholders of the Company, in particular, the minority shareholders.

The independent non-executive Directors of the Company, upon their review, confirmed that effective compliance with and enforcement of terms of the above non-competition undertakings had been conducted by controlling shareholders of the Company.

Apart from the above non-competition undertakings, Fantasia Holdings has also undertaken to the Company in the Deed of Non-Competition that, during the Non-Competition Period, if Fantasia Group intends to dispose of any part or all of its business in the property management of pure commercial properties such as office buildings, retail complexes, hotels and serviced apartments ("Retained Business") , or any interest in the Retained Business to any third party, it shall first offer to the Company the right to acquire such business or interest and the Fantasia Group may only proceed with such disposal to any third party, on terms not more favorable than those offered to the Company, following the rejection of such offer by the Company. In deciding whether to exercise the right, the Directors will consider various factors including the purchase price, the benefits that it will bring to the Group as well as whether the Group has adequate management and resources to manage and operate the business operations of such business. The independent non-executive Directors of the Company shall decide whether or not to exercise the right within one-month after the Fantasia Group notifies the Company of such business opportunity in writing. During the year ended 31 December 2016, the Company has not received any notice from Fantasia Holdings to purchase any part or all of its Retained Business.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2016, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the remuneration committee of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are proposed by the Remuneration Committee to the Board, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2016.

Total emolument of RMB641.2 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB10.2 million for the Directors' remuneration and RMB631.0 million for other staff's salaries and allowance.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year under review, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2016, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provisions A.1.1 and E.1.2, details of which are set out in the "Corporate Governance Report" on pages 73 to 81 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2016 and up to the latest practicable date prior to the issue of this annual report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The company raised net proceeds of approximately RMB710 million (less underwriting fee and commissions and other relevant expenses, equivalent to approximately RMB39.3 million) in aggregate under its initial public offering on the SEHK in June 2014, which are intended to be applied in the manner consistent with that in the Company's prospectus dated 17 June 2014.

By 31 December 2016, approximately RMB641.2 million of the total listing proceeds has been utilised as intended for the purposes as follows: 1) approximately RMB429.7 million for acquisitions of regional property management companies; 2) approximately RMB95.1 million for the Group's purchasing hardware equipment used for upgrading the communities under our engineering services business segment; 3) approximately RMB44.8 million for the Group's sales and marketing activities and investment of information technology software to further develop our community leasing, sales and other services platform and 4) approximately RMB71.6 million for working capital and general corporate purposes. As at 31 December 2016, RMB75.0 million of the Company's listing proceeds remained to be used as intended.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Company.

AUDITORS

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board
Tang Xuebin
Executive Director and Chief Executive Officer

Hong Kong, 17 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and applied the code provisions in the CG Code save and except for code provisions A.1.1 and E.1.2, details of which will be explained below.

In respect of the code provision A.1.1 of the CG Code, the Board had held nine meetings, two of which were regular meetings to approve the final results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2016. Although the Company only held two regular Board meetings, the Directors are of the view that there was sufficient time and opportunity for each Director to discuss the operations of the Company as nine Board meetings (including two regular Board meetings) were held in 2016. Going forward, the Board will use its best endeavours to meet regularly and hold at least four regular Board meetings each year.

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

Save for the deviation set out above, the Board is of the view that throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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 had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2016 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2016.

No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

Corporate Governance Report

BOARD OF DIRECTORS

The Board of the Company currently comprises the following Directors:

Executive Directors:
Mr. Tang Xuebin *(Chief Executive Officer)*
Mr. Dong Dong

Non-executive Directors:
Mr. Pan Jun *(Chairman)*
Mr. Lam Kam Tong
Mr. Zhou Hongyi

Independent non-executive Directors:
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

The biographical information of the directors are set out in the section headed “Directors’ Profile” on pages 43 to 46 of this annual report.

The Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Pan Jun and Mr. Tang Xuebin respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board. The independent non-executive Directors possess the 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.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service agreement (for executive Director) or an appointment letter (for non-executive Director and independent non-executive Director) for a term of 3 years.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting or the next following annual general meeting, as the case may be, of the Company after his appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged.

The Company had from time to time provided relevant reading materials including the amendments to or updates on the relevant laws, rules and regulations to all directors, namely, Mr. Tang Xuebin, Mr. Dong Dong, Mr. Zhou Qinwei (resigned on 25 July 2016), Mr. Pan Jun, Mr. Lam Kam Tong, Mr. Zhou Hongyi, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin for their reference and studying.

During the year ended 31 December 2016, Mr. Tam Chun Hung, Anthony also attended a training session arranged by a professional firm.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited and are available to shareholders upon request.

All members of the Audit Committee while the majority of the members of the Remuneration Committee and Nomination Committee are independent non-executive Directors.

Audit Committee

The Audit Committee currently consists of all the three independent non-executive Directors, namely Mr. Tam Chun Hung, Anthony (chairman), Dr. Liao Jianwen and Mr. Xu Xinmin. None of the committee members is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, making recommendations to the Board on the appointment and dismissal of the external auditors, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for performing the Company's corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held 2 meetings during the year ended 31 December 2016. During the meetings, the Audit Committee has been provided with the Group's financial statements including audited annual results for the year ended 31 December 2015 and unaudited interim results for the six months ended 30 June 2016, internal controls reports and other necessary financial information to consider, review and assess significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company and reviewed the following including:

(a) The Company's policies and practices on corporate governance;

(b) Training and continuous professional development of the Directors and senior management;

(c) The Company's policies and practices on compliance with legal and regulatory requirements;

(d) The compliance of the Model Code and the Securities Dealing Code; and

(e) The Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee currently consists of the three independent non-executive Directors, Dr. Liao Jianwen (chairman), Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin as well as an executive Director, Mr. Tang Xuebin.

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 2 meetings during the year ended 31 December 2016. During the meetings, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management including the remuneration package of the appointment of Mr. Zhou Hongyi as a non-executive Director and the granting of share options to the Directors. The emolument policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 31 to the consolidated financial statements.

Nomination Committee

The Nomination Committee currently consists of five members, namely one non-executive Director, Mr. Pan Jun (chairman), three independent non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin and one executive Director, Mr. Tang Xuebin.

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors in particular the chairman and the chief executive, and assessing the independence of independent non-executive Directors.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

The Nomination Committee held a meeting during the year ended 31 December 2016. During the meeting, the Nomination Committee nominated Mr. Zhou Hongyi as a non-executive Director, assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2016 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the board diversity policy and the measurable objectives, and also reviewed the structure, size and composition of the Board.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board and Board Committees and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office				
Name of Directors	**Board**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**	**2016 AGM**
Executive Directors					
Mr. Tang Xuebin	9/9	2/2	1/1	N/A	1/1
Mr. Dong Dong	9/9	N/A	N/A	N/A	1/1
Mr. Zhou Qinwei (resigned on 25 July 2016)	3/9	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Pan Jun	7/9	N/A	1/1	N/A	1/1
Mr. Lam Kam Tong	6/9	N/A	N/A	N/A	1/1
Mr. Zhou Hongyi	3/9	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Tam Chun Hung, Anthony	9/9	2/2	1/1	2/2	0/1
Dr. Liao Jianwen	9/9	2/2	1/1	2/2	0/1
Mr. Xu Xinmin	9/9	2/2	1/1	2/2	0/1

The Chairman also held meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 82 to 89 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	**Fees Paid/ Payable** HKD'000
Audit Service	3,000
Non-audit Services	
— Interim review of financial results for the six months ended 30 June 2016	1,038
— Review on continuing connected transactions	30
	4,068

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interest of the Company and its shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the year under review, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management; and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function . The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2016, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2016.

COMPANY SECRETARY

For the year ended 31 December 2016, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the financial year ended 31 December 2016, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1202–03, New World Tower 1, 16–18 Queen's Road Central, Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

A dedicated Investor Relations section is available on the Company's website (www.colourlife.hk). Information on the Company's website is updated on a regular basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures available on the websites of Hong Kong Exchanges and Clearing Limited and of the Company. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Constitutional Documents

During the year under review, there was no change in the Company's Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Company and of Hong Kong Exchanges and Clearing Limited.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

The compliance of the Deed of Non-competition by Fantasia Holdings is set out in the section headed "Compliance with the deed of non-competition" on page 70 of this annual report.

Deloitte.
德勤

To the Members of Colour Life Service Group Co., Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the 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 90 to 196, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgments made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill has been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by comparing the recoverable amount of the cash-generating units, which was calculated based on the growth rates, discount rates and cash inflows/outflows including revenue, gross profit and operating expenses estimated, and the carrying amount of the units. As disclosed in note 19 to the consolidated financial statements, the carrying amount of goodwill was RMB749,580,000 representing 19% of total assets of the Group, the balance of impairment was RMB870,000 as at 31 December 2016 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2016.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimation made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, based on the Group's historical financial performance; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data; and • Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in impairment assessment of goodwill.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Accounting for acquisition of subsidiaries	
We identified the accounting for acquisition of subsidiaries as a key audit matter due to the significant degree of judgement by the management of the Group in accordance with HKFRS 3 "Business Combinations" ("HKFRS 3"). As disclosed in note 37 to the consolidated financial statements, the total consideration, in relation to the completed acquisition of subsidiaries which engage in property management during the year ended 31 December 2016, was RMB254,212,000. In application of HKFRS 3, the management applied significant judgements in assessing the acquisition-date fair values of the identifiable assets acquired, including the estimates adopted in calculating the fair value of intangible assets and the liabilities assumed. The fair value of intangible assets of RMB81,378,000 acquired in business combination are based on valuations performed by independent qualified professional valuer not connected with the Group (the "Valuer").	Our procedures in relation to assessing the appropriateness of the accounting for the acquisition of subsidiaries included: • Obtaining an understanding of how the management accounted for the acquisition of subsidiaries under HKFRS 3; • Discussing with the management the key estimates adopted by the management in assessing the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed, including the growth rates, discount rates and expected future cash inflows/outflows; • Evaluating the appropriateness of the discount rates by comparing them to economic and industry data; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows based on the Group's past experience; • Evaluating the Valuer's competence, capabilities and objectivity; and • Involving our internal valuation experts, to evaluate the valuation techniques and reasonableness of the significant inputs, on a sample basis, used by the management and the Valuer in relation to calculate the acquisition-date fair values of the intangible assets acquired in business combination to assess the reasonableness of the judgements and estimations.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement by the management of the Group, in estimation of future cash flows of collection of trade receivables which may affect the carrying value of the Group's trade receivables. As disclosed in note 4 to the consolidated financial statements, the management determined the carrying amount of trade receivables, taken into consideration the ages of trade receivables and the estimation of future cash flows. As disclosed in note 20 to the consolidated financial statements, the carrying amount of trade receivables are RMB278,772,000 and the balance of allowance for bad and doubtful debts are RMB24,851,000 as at 31 December 2016 and the allowance for bad and doubtful debts of RMB11,522,000 was recognised for the year end 31 December 2016.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding of how the management assess the recoverability of trade receivables; • Testing the aging analysis of the trade receivables, on a sample basis, to the source documents, including invoices and demand notes; • Discussing with the management the actions they have taken to recover the long outstanding balances of trade receivables; and • Assessing the reasonableness of the allowance for trade receivables with reference to the ages, settlement records, subsequent settlements and offset agreements signed between the Group and independent property developers, which are customers of the Group, regarding the disposals of their properties to the Group for settlement of the trade receivables.

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement by the management of the Group, in estimation of future cash flows of collection of payments on behalf of residents which may affect the carrying value of the Group's payments on behalf of residents. As disclosed in note 4 to the consolidated financial statements, the management determined the carrying amount of payments on behalf of residents, taken into consideration of a number of impairment indicators, including whether the property management agreements for the community was terminated or expected to terminate, historical write-off experience, the financial performance of the property management offices of residential communities and future cash flows of the management offices of residential communities. As disclosed in note 25 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB259,802,000 as at 31 December 2016 and the allowance for bad and doubtful debts of RMB17,274,000 was recognised for the year end 31 December 2016.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding of how the management assess the recoverability of payments on behalf of residents; • Discussing with the management the impairment indicators used by the management, including whether the property management agreements for the community were terminated or expected to terminate, historical write-off experience, the financial performance of the property management offices of residential communities and future cash flows of the management offices of residential communities; • Checking to the notices of termination of management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the reasonableness of the future cash flow projections of the property management offices of residential communities approved by the management by comparing the actual cash flows of relevant property management offices of residential communities, on a sample basis, to the previously forecasted results used in impairment assessment of payments on behalf of residents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	5	**1,342,069**	827,645
Cost of sales and services		**(756,280)**	(373,189)
Gross profit		**585,789**	454,456
Other gains and losses	6	**(30,868)**	(26,822)
Other income	6	**19,562**	13,765
Selling and distribution expenses		**(13,477)**	(16,322)
Administrative expenses		**(297,505)**	(216,870)
Expenses recharged to residential communities under commission basis		**66,255**	47,182
Finance costs	7	**(38,004)**	(11,082)
Change in fair value of investment properties		**5,503**	6,987
Share of results of associates		**796**	627
Share of result of a joint venture		**(258)**	162
Profit before tax		**297,793**	252,083
Income tax expense	8	**(81,782)**	(69,428)
Profit for the year	10	**216,011**	182,655
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**23,103**	–
Deferred taxation effect on change in fair value of available-for-sale investments		**(5,776)**	–
Other comprehensive income for the year, net of income tax		**17,327**	–
Profit and total comprehensive income for the year		**233,338**	182,655
Profit for the year attributable to:			
– Owners of the Company		**187,785**	168,438
– Non-controlling interests		**28,226**	14,217
		216,011	182,655
Profit and total comprehensive income attributable to:			
– Owners of the Company		**205,112**	168,438
– Non-controlling interests		**28,226**	14,217
		233,338	182,655
Earnings per share (RMB cents)	12		
– Basic		**18.78**	16.84
– Diluted		**18.78**	16.83

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	13	**180,757**	167,099
Investment properties	14	**92,528**	88,804
Interests in associates	15	**7,728**	6,332
Interest in a joint venture	16	**850**	1,108
Available-for-sale investments	17	**133,303**	–
Intangible assets	18	**210,303**	152,033
Goodwill	19	**749,580**	575,634
Trade receivables	20	**8,247**	7,199
Other receivables and prepayments	20	**7,489**	5,964
Loan receivables	21	**9,750**	–
Deferred tax assets	22	**26,506**	19,722
Amount due from a director	43(b)	**343**	–
Deposits paid for potential acquisitions of subsidiaries	23	**142,537**	106,736
		1,569,921	1,130,631
Current assets			
Inventories		**2,486**	2,106
Amounts due from customers for contract works	24	**41,018**	34,328
Trade receivables	20	**270,525**	179,350
Other receivables and prepayments	20	**196,027**	111,751
Loan receivables	21	**217,500**	–
Payments on behalf of residents	25	**259,802**	169,626
Amounts due from fellow subsidiaries	43(b)	**34,550**	46,548
Amounts due from non-controlling shareholders of the subsidiaries	43(b)	**82,330**	46,422
Amounts due from related parties	43(b)	**16,168**	7,228
Amount due from an associate	43(b)	**1,434**	1,105
Amount due from a director	43(b)	**60**	–
Financial assets designated as at fair value through profit or loss ("FVTPL")	26	**83,275**	19,200
Pledged bank deposits	27	**492,675**	551,383
Bank balances and cash	27	**754,837**	419,478
		2,452,687	1,588,525
Current liabilities			
Amounts due to customers for contract works	24	**16,746**	17,141
Trade payables	28	**113,991**	80,231
Other payables and accruals	28	**596,177**	421,177
Receipts on behalf of residents	25	**156,442**	104,033
Amounts due to fellow subsidiaries	43(b)	**7,442**	4,734
Amounts due to non-controlling shareholders of the subsidiaries	43(b)	**32,886**	30,125
Amount due to an associate	43(b)	**7,564**	5,040
Amount due to a joint venture	43(b)	**326**	94
Tax liabilities		**136,799**	108,010
Borrowings due within one year	29	**161,506**	302,990
Corporate bonds due within one year	30	**14,436**	–
Assets backed securities issued due within one year	31	**37,642**	–
		1,281,957	1,073,575
Net current assets		**1,170,730**	514,950
Total assets less current liabilities		**2,740,651**	1,645,581

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Deferred tax liabilities	22	**73,941**	54,033
Amount due to a fellow subsidiary	43(b)	**9,859**	–
Amount due to a non-controlling shareholder of a subsidiary	43(b)	**–**	816
Borrowings due after one year	29	**498,788**	290,000
Corporate bonds due after one year	30	**388,149**	–
Assets backed securities issued due after one year	31	**237,442**	–
Total non-current liabilities		**1,208,179**	344,849
Net assets		**1,532,472**	1,300,732
Capital and reserves			
Share capital	32	**79,325**	79,325
Reserves		**1,379,597**	1,180,066
Equity attributable to owners of the Company		**1,458,922**	1,259,391
Non-controlling interests		**73,550**	41,341
Total equity		**1,532,472**	1,300,732

The financial statements on pages 90 to 196 were approved and authorised for issue by the Board of Directors on 17 March 2017 and signed on behalf by:

Tang Xuebin
DIRECTOR

Lam Kam Tong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share options reserve RMB'000 (note 33)	Shares held for share award scheme RMB'000 (note 34)	Revaluation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	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 year	–	–	–	–	–	–	–	168,438	168,438	14,217	182,655
Acquisition of additional interest of subsidiaries from non-controlling shareholders	–	–	–	–	–	–	1,242	–	1,242	(3,242)	(2,000)
Issue of shares upon exercise of share option	10	751	–	(97)	–	–	–	–	664	–	664
Dividend paid to shareholders of the Company	–	(71,033)	–	–	–	–	–	–	(71,033)	–	(71,033)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(3,956)	(3,956)
Acquisition of subsidiaries (note 37(a))	–	–	–	–	–	–	–	–	–	15,809	15,809
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	2,850	2,850
Recognition of equity-settled share-based payment (note 33)	–	–	–	88,431	–	–	48	–	88,479	–	88,479
Transfer	–	–	10,041	–	–	–	–	(10,041)	–	–	–
At 31 December 2015	79,325	604,515	31,517	118,114	–	–	(62,072)	487,992	1,259,391	41,341	1,300,732
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**187,785**	**187,785**	**28,226**	**216,011**
Change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**23,103**	**–**	**–**	**23,103**	**–**	**23,103**
Deferred taxation effect on share of change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(5,776)**	**–**	**–**	**(5,776)**	**–**	**(5,776)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**17,327**	**–**	**–**	**17,327**	**–**	**17,327**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**17,327**	**–**	**187,785**	**17,327**	**28,226**	**233,338**
Dividend paid to shareholders of the Company	**–**	**(84,695)**	**–**	**–**	**–**	**–**	**–**	**–**	**(84,695)**	**–**	**(84,695)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,473)**	**(5,473)**
Acquisition of subsidiaries (note 37(a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,450**	**7,450**
Disposal of a subsidiary (note 37(b))	**–**	**–**	**–**	**–**	**–**	**–**	**9,260**	**–**	**9,260**	**–**	**9,260**
Capital injection by non-controlling shareholders of certain subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,115**	**2,115**
Recognition of equity-settled share-based payment (note 33)	**–**	**–**	**–**	**79,041**	**–**	**–**	**–**	**–**	**79,041**	**–**	**79,041**
Shares purchased for share award scheme (note 34)	**–**	**–**	**–**	**–**	**(9,010)**	**–**	**–**	**–**	**(9,010)**	**–**	**(9,010)**
Acquisition of additional interest of a subsidiary from a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**(177)**	**–**	**(177)**	**(109)**	**(286)**
Transfer	**–**	**–**	**9,713**	**–**	**–**	**–**	**–**	**(9,713)**	**–**	**–**	**–**
At 31 December 2016	**79,325**	**519,820**	**41,230**	**197,155**	**(9,010)**	**17,327**	**(52,989)**	**666,064**	**1,458,922**	**73,550**	**1,532,472**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes:

(a) The statutory reserve is non-distributable and the transfer to the reserve is determined by the board of directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(b) The amount recorded in the other reserve was resulted from the following 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 Group Co., Ltd ("Fantasia Holdings") to eligible directors and employees of the Company and credited to other reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**297,793**	252,083
Adjustments for:		
Allowance for doubtful debts/bad debt written off — net	**28,796**	28,466
Depreciation of property, plant and equipment	**27,779**	15,069
Amortisation of intangible assets	**23,108**	13,004
Interest income	**(5,653)**	(5,429)
Imputed interest income on non-current interest-free trade receivables	**(1,128)**	(1,096)
Fair value adjustment on non-current interest-free deposit	**–**	(343)
Change in fair value of financial assets designated as at FVTPL	**(2,828)**	(442)
Finance costs	**38,004**	11,082
Share-based payment expenses	**79,041**	88,479
Share of results of a joint venture	**258**	(162)
Share of results of associates	**(796)**	(627)
Loss on disposal of property, plant and equipment	**4,364**	587
Changes in fair value of investment properties	**(5,503)**	(6,987)
Operating cash flows before movements in working capital	**483,235**	393,684
(Increase) decrease in inventories	**(140)**	2,524
(Increase) decrease in trade receivables	**(67,860)**	11,305
Increase in other receivables and prepayments	**(40,513)**	(3,704)
Changes in payments/receipts on behalf of residents	**(74,112)**	(113,222)
Changes in amounts due from/to customers for contract works	**(7,085)**	15,731
Increase in trade payables	**33,560**	24,077
Increase (decrease) in other payables	**87,768**	(5,361)
Increase in amounts due from fellow subsidiaries	**(9,952)**	(21,668)
Increase in amounts due to fellow subsidiaries	**1,111**	–
Increase in amounts due from a related party	**(15,320)**	–
Cash generated from operations	**390,692**	303,366
Income taxes paid	**(68,897)**	(64,633)
NET CASH FROM OPERATING ACTIVITIES	**321,795**	238,733

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Interest received		**4,824**	5,304
Acquisitions of subsidiaries (net of cash and cash equivalent acquired)	37(a)	**(220,674)**	(486,209)
Disposal of a subsidiary (net of cash and cash equivalent disposed)	37(b)	**9,432**	–
Deposit paid for acquisition of subsidiaries		**(88,692)**	(76,207)
Deposit refunded for acquisition of subsidiaries		**38,000**	66,747
Purchase of property, plant and equipment		**(64,867)**	(51,433)
Proceeds on disposal of investment properties		**4,825**	–
Proceeds of disposal of property, plant and equipment		**7,987**	181
Purchase of financial assets designated as at FVTPL		**(418,099)**	(74,558)
Redemption of financial assets designated as at FVTPL		**356,852**	109,958
Purchase of available-for-sale investments		**(110,200)**	–
Capital injection to an associate		**(600)**	(4,410)
Increase in pledged bank deposits		**(50,000)**	(551,383)
Decrease in pledged bank deposits		**108,708**	136,323
Advance of loan receivables		**(230,250)**	–
Repayment of loan receivables		**3,298**	–
Repayment from a customer		**–**	12,000
Advances to fellow subsidiaries		**(100)**	(24,463)
Repayment from fellow subsidiaries		**22,050**	18,540
Advance to an associate		**(329)**	(1,105)
Advance to a related party		**–**	(7,228)
Repayment from a related party		**6,380**	336
Advances to non-controlling shareholders of the subsidiaries		**(3,529)**	(43,926)
Repayment from non-controlling shareholders of the subsidiaries		**9,570**	78,702
Advance to a director		**(401)**	–
Repayment from a director		**10**	–
Advance to staffs		**(2,311)**	(6,794)
Repayment from staffs		**1,033**	158
Advance to a former shareholder of a subsidiary		**(1,957)**	(1,979)
Repayment from a former shareholder of a subsidiary		**4,343**	–
NET CASH USED IN INVESTING ACTIVITIES		**(614,697)**	(901,446)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
Interest paid	**(17,465)**	(11,215)
Net proceeds from the issuance of assets backed securities	**284,930**	–
Repayment of principal of assets backed securities issued	**(12,500)**	–
New borrowings raised	**220,304**	592,977
Repayments of bank borrowings	**(153,000)**	(128,231)
Net proceeds from the issuance of corporate bonds	**388,149**	–
Capital contribution from a non-controlling shareholder	**2,115**	2,850
Advances from fellow subsidiaries	**14,734**	4,734
Repayment to fellow subsidiaries	**(3,480)**	(1,777)
Advance from a joint venture	**232**	–
Advance from an associate	**2,524**	5,040
Repayment to an associate	**–**	(775)
Advance from non-controlling shareholders of the subsidiaries	**6,424**	29,660
Repayment to non-controlling shareholders of the subsidiaries	**(4,572)**	(6,469)
Acquisition of additional interest of subsidiaries	**(286)**	(2,000)
Dividend paid to non-controlling shareholders of the subsidiaries	**(5,473)**	(3,956)
Dividend paid to shareholders of the Company	**(84,695)**	(71,033)
Listing expense paid	**(670)**	(15,309)
Issue of share upon exercise of share option	**–**	664
Purchase of shares for share award scheme	**(9,010)**	–
NET CASH FROM FINANCING ACTIVITIES	**628,261**	395,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**335,359**	(267,553)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**419,478**	687,031
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**754,837**	419,478

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 March 2011. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since 30 June 2014. The addresses of the registered office and principal place of business of the Company are stated in the section "Corporate Information" of the annual report for the year ended 31 December 2016.

The Company's immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Ms. Zeng Jie, Baby.

The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the provision of property management services, the provision of engineering services and the provision of community leasing, sales and other services.

The consolidated financial statements is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group had applied the following amendments to HKFRSs issued by the Hong Kong Certified Public Accountants ("HKICPA") for the first time in the current year.

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 HKAS 27	Equity method in separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 "*Financial Instruments*"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 "*Financial Instruments*" *(Continued)*

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 "Financial Instruments": Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The directors anticipate that the adoption of HKFRS 9 in the future may not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 "*Revenue from Contracts with Customer*"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company do not anticipate that the application of HKFRS 15 in the future will have a material effect on the Group's consolidated financial statements.

HKFRS 16 "*Leases*"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 "*Leases*" *(Continued)*

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB636,565,000 as disclosed in note 39. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements has been prepared on the historical cost basis except for investment properties, available-for-sale investments and financial assets designated as at FVTPL that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including any goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *"Income Taxes"* and HKAS 19 *"Employee Benefits"* respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standards.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequent whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a structured entity

The Group controls a structured entity, The Employees' Share Award Trust ("Employee Share Trust"), which is set up solely for the purpose of purchasing, administering and holding the Group's shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the Employee Share Trust and it has the ability to use its power over the Employee Share Trust to affect its exposure to returns, the assets and liabilities of Employee Share Trust are included in the Group's statement of financial position and the Group's shares held by the Employee Share Trust are presented as a deduction in equity as shares held for share award scheme.

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or a joint venture are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, investment in associates or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or loss and other comprehensive income of associate and joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associates or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *"Impairment of Assets"* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associates or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associates or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Installation contracts

Where the outcome of the installation contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advance received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property management services fee, repair and maintenance services fee, energy-saving services fee and community leasing, sales and other services fee

Property management fee (including property management services under commission basis and lump sum basis, pre-sale services and property management consultancy services), repair and maintenance services fee, energy-saving services fee and community leasing, sales and other services fee (including provision of common area rental assistance, online promotion services and leasing information system software, residential and retail units rental and sales assistance and other services).

Installation contract revenue

The Group's policy for recognition of revenue from installation contract is described in paragraph headed by "Installation contracts" above.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph headed by "Leasing — The Group as lessor" above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are generally classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, except for short-term receivables where the recognition of interest would be immaterial.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, payments on behalf of residents, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, an associate and a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets designated as at FVTPL

Financial assets designated as at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has are cent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets designated as at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available for sales or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets *(Continued)*

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

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.

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss of financial assets *(Continued)*

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

Financial liabilities and equity instruments

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

Equity instrument

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

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, receipts on behalf of residents, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of the subsidiaries, amount due to an associate, amount due to a joint venture, borrowings, corporate bonds and assets backed securities issued, are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, and substantially all the risks and rewards of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve for the share option scheme of Fantasia Holdings and share options reserve for the share option scheme of the Company).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve and share options reserve, where appropriate.

For the share options granted by the Company, when they are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve. For the share options granted by Fantasia Holdings, when they are exercised, the amount previously recognised in other reserve will continue to be held in other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will continue to be held in other reserve.

Share award scheme

Where the Group's shares are acquired by the share award scheme from the market or by electing for scrip in lieu of cash dividends, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

The fair value of the awarded shares at the date of the grant is charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based compensation reserve.

Upon vesting and transfer to the grantees, the related costs of the shares are credited to shares held for share award scheme, and the related fair value of the shares are debited to employee share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of payments on behalf of residents

The Group has receivables arisen from the payments on behalf of residents of residential communities under the terms of commission basis in its property management services business. Since these property management offices, which are the representatives of the residents of residential communities, have no separate bank accounts, all transactions related to these property management offices are settled through the treasury function of a group entity. The net amount paid on behalf of these property management offices in excess of the management fee received from the residents of these residential communities are treated as receivables of the Group. Significant management estimation is required to determine whether the property management offices have the ability to settle these receivables due to the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of payments on behalf of residents *(Continued)*

To determine whether there is any objective evidence of impairment loss, the Group takes into consideration a number of indicators, including, among others, whether the property management agreements for the community was terminated or expected to terminate historical write-off experience, the financial performance of the property management offices of residential communities, including profitability trend, cash receipts from residents and cash payments to settle management offices' account payables, and future cash flows of the property management offices.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the Group's payments on behalf of residents under commission basis are RMB259,802,000 (2015: RMB169,626,000).

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the Group's trade receivables are RMB278,772,000 (2015: RMB186,549,000), net of allowance for bad and doubtful debt of RMB24,851,000 (2015: RMB14,987,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in future. The carrying amounts of investment properties are RMB92,528,000 (2015: RMB88,804,000).

Revenue recognition of installation contracts

For an installation contract, revenue and costs are recognised by reference to estimation of the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representation of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Construction costs which mainly comprise installation costs and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Change in this estimation may have a material impact on the results. The Group has recognised installation contracts revenue amounting to RMB36,224,000 (2015: RMB31,660,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated recoverability of amounts due from customers for contract works

When there is objective evidence of impairment loss in relation to amounts due from customers for contract works arisen from the installation services under engineering segment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of amounts due from customers for contract works were RMB41,018,000 (2015: RMB34,328,000) as disclosed in note 24.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by management of the Group and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rate and cash inflows/outflows including revenue, gross profit, and operating expenses estimated. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash inflows due to unfavourable, a material impairment loss may arise. The carrying amount of goodwill net of accumulated impairment loss was amounted to RMB749,580,000 (2015: RMB575,634,000).

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment was RMB180,757,000 (2015: RMB167,099,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount which is the higher of fair value less cost of disposal and value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of intangible assets net of accumulated impairment loss was RMB210,303,000 (2015: carrying amount of RMB152,033,000).

5. REVENUE AND SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the different services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has three reportable and operating segments as follows:

1. Property management services – Provision of property management services to primarily residential communities and property management consultancy services to other property management companies.

2. Engineering services – Provision of equipment installation services, repair and maintenance services, equipment leasing services and energy-saving services.

3. Community leasing, sales and other services – Provision of common area rental assistance, online promotion services, leasing information system software, residential and retail units rental and sales assistance and other services.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of changes in fair value of investment properties, change in fair value of financial assets designated as at FVTPL, share of results of associates and a joint venture, interest income, finance costs, share-based payment expenses, exchange gain, and central administrative expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

	Property management services RMB'000	Engineering services RMB'000	Community leasing, sales and other services RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2016					
External revenue	1,059,067	126,146	156,856	–	1,342,069
Inter-segment revenue	–	6,159	16,178	(22,337)	–
Segment revenue	1,059,067	132,305	173,034	(22,337)	1,342,069
Segment profit	234,015	47,253	121,507		402,775
Changes in fair value of investment properties					5,503
Change in fair value of financial assets designated as at FVTPL					2,828
Share of results of associates					796
Share of result of a joint venture					(258)
Finance costs					(38,004)
Interest income					5,653
Share-based payment expense					(79,041)
Exchange gain					1,937
Other unallocated expenses					(4,396)
Profit before tax					297,793

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Property management services RMB'000	Engineering services RMB'000	Community leasing, sales and other services RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2015					
External revenue	586,332	135,426	105,887	–	827,645
Inter-segment revenue	–	2,487	935	(3,422)	–
Segment revenue	586,332	137,913	106,822	(3,422)	827,645
Segment profit	206,223	62,823	71,336		340,382
Changes in fair value of investment properties					6,987
Change in fair value of financial assets designated as at FVTPL					442
Share of results of associates					627
Share of result of a joint venture					162
Finance costs					(11,082)
Interest income					5,304
Share-based payment expense					(88,479)
Exchange gain					2,356
Other unallocated expenses					(4,616)
Profit before tax					252,083

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Property management services RMB'000	Engineering services RMB'000	Community leasing, sales and other services RMB'000	Total RMB'000
Year ended 31 December 2016				
Segment information included in the measure of segment profit:				
Amortisation of intangible assets	23,108	–	–	23,108
Depreciation of property, plant and equipment	6,641	18,473	2,665	27,779
Impairment loss recognised on payments on behalf of residents under commission basis	17,274	–	–	17,274
Impairment loss recognised on trade receivables	6,654	2,320	2,548	11,522
Bad debt written off related to other receivables	204	–	–	204
Imputed interest income on non-current interest-free trade receivables	–	1,128	–	1,128
Loss on disposal of property, plant and equipment	4,364	–	–	4,364

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Property management services RMB'000	Engineering services RMB'000	Community leasing, sales and other services RMB'000	Total RMB'000
Year ended 31 December 2015				
Segment information included in the measure of segment profit:				
Amortisation of intangible assets	13,004	–	–	13,004
Depreciation of property, plant and equipment	3,848	9,574	1,647	15,069
Fair value gain on non-current interest-free deposit	343	–	–	343
Impairment loss recognised on payments on behalf of residents under commission basis	15,140	3,959	–	19,099
Impairment loss recognised on trade receivables	4,663	2,274	2,430	9,367
Imputed interest income on non-current interest-free trade receivables	–	1,096	–	1,096
Loss on disposal of property, plant and equipment	429	–	158	587

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major services

	2016 RMB'000	2015 RMB'000
Property management services		
Property management services fee under commission basis	**163,960**	143,696
Property management services fee under lump sum basis	**758,169**	288,603
Pre-sale services	**91,772**	104,837
Property management consultancy services fee	**45,166**	49,196
	1,059,067	586,332
Engineering services		
Installation service fees from provision of engineering services	**36,224**	31,660
Services fee from provision of repair and maintenance services	**47,159**	79,105
Equipment leasing income	**31,275**	24,661
Services fee from provision of energy-saving services	**11,488**	–
	126,146	135,426
Community leasing, sales and other services		
Common area rental assistance	**37,082**	30,397
Usage fees from online promotion services and leasing information system software	**74,015**	49,140
Residential and retail units rental and sales assistance	**19,696**	17,821
Other services	**26,063**	8,529
	156,856	105,887
	1,342,069	827,645

Geographical information

The Group's revenue from external customers is derived mainly from its operations in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the years ended 31 December 2016 and 2015, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

6. OTHER GAINS AND LOSSES AND OTHER INCOME

	2016 RMB'000	2015 RMB'000
Other gains and losses		
Impairment loss recognised on		
— trade receivables	**(11,522)**	(9,367)
— payments on behalf of residents under commission basis	**(17,274)**	(19,099)
Bad debt written off related to other receivables	**(204)**	–
Loss on disposal of property, plant and equipment	**(4,364)**	(587)
Fair value adjustment on non-current interest-free deposit	**–**	343
Exchange gain	**1,937**	2,356
Donation to an education organisation	**–**	(1,000)
Others	**559**	532
	(30,868)	(26,822)
Other income		
Interest income from		
— banks	**4,824**	5,304
— loan receivables	**298**	–
— non-current advance to staffs	**519**	125
— a director	**12**	–
Unconditional government grants	**9,385**	6,284
Imputed interest income on non-current interest-free trade receivables	**1,128**	1,096
Rental income from investment properties (note)	**68**	46
Change in fair value of financial assets designated as at FVTPL	**2,828**	442
Others	**500**	468
	19,562	13,765

Note: Direct operating expenses incurred for investment properties that generated rental income during the years ended 2016 and 2015 were insignificant.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on:		
amount due to a non-controlling shareholder of a subsidiary (note 43(a))	**(109)**	(133)
amount due to a fellow subsidiary (note 43(a))	**(702)**	–
corporate bonds (note 30)	**(14,436)**	–
assets backed securities issued (note 31)	**(6,863)**	–
borrowings	**(15,894)**	(10,949)
	(38,004)	(11,082)

8. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Current year	**(95,422)**	(82,408)
Over provision in respect of prior years	**768**	4,515
	(94,654)	(77,893)
Singapore EIT	**(206)**	(164)
	(94,860)	(78,057)
Deferred tax (note 22)		
Current year	**13,078**	8,629
	(81,782)	(69,428)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

The Group's PRC EIT and Singapore EIT are calculated based on the applicable tax rates on assessable profits, if applicable.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB879,594,000 (2015: RMB533,826,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	**297,793**	252,083
Tax at the PRC EIT rate of 25%	**74,448**	63,021
Tax effect of expenses not deductible for tax purpose (note a)	**23,853**	25,045
Tax effect of non-taxable income	**(3,744)**	(3,304)
Tax effect of tax losses not recognised	**3,651**	725
Over provision in prior year	**(768)**	(4,515)
Utilisation of tax loss previously not recognised	**(406)**	(110)
Tax effect of deductible temporary difference not recognised	**3,180**	1,497
Tax effect of share of results of associates	**(199)**	(157)
Tax effect of share of results of a joint venture	**65**	(41)
Tax effect of different tax rates of certain subsidiaries (note b)	**(17,509)**	(6,450)
Tax effect of adopting prescribed tax calculation method by the PRC subsidiaries (note c)	**(1,114)**	(6,494)
Others	**325**	211
Income tax expense	**(81,782)**	(69,428)

Notes:

(a) The expenses not deductible for tax purpose mainly represented share-based payment expenses, professional fees incurred by offshore companies and welfare and entertainment expenses which exceed the tax deduction limits under the law of Enterprise Income Tax.

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15% from 1 January 2014 to 31 December 2016, (ii) a PRC company, which is registered in Shenzhen and regarded as energy conservation and environmental protection enterprise by local tax bureau, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, (iii) five PRC companies, which are registered in Chengdu, Chongqing and Xi'an and engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% and (iv) a Singapore company which applied 17% income tax rate.

(c) Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law and approved by tax bureaus, some PRC subsidiaries are subject to statutory enterprise income tax bore on its respective deemed taxable income, which are at 10% of revenue or at a certain amount per season in accordance with the prescribed tax calculation method pursuant to the applicable PRC tax regulations.

For certain group entities engaged in property management services (the "PM Entities"), pursuant to relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group is able to temporarily utilise the tax losses of loss making communities, resulting in deferral of payment of certain tax provision.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the year are as follow:

	2016 RMB'000	2015 RMB'000
Directors' fee	–	–
Other emoluments		
— salaries and other benefits	3,518	3,514
— retirement benefits scheme contributions	12	31
— share-based payment expenses	6,649	7,315
	10,179	10,860

The emoluments of the directors and chief executive, disclosed pursuant to the applicable Listing Rule and CO, are as follows:

	Fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note c)	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2016						
Executive directors						
Mr. Tang Xuebin	–	361	498	5	1,018	1,882
Mr. Dong Dong	–	274	410	5	973	1,662
Mr. Zhou Qinwei (note b)	–	429	106	2	382	919
Non-executive directors						
Mr. Pan Jun (note a)	–	240	–	–	1,249	1,489
Mr. Lam Kam Tong (note a)	–	240	–	–	625	865
Mr. Zhou Hongyi	–	240	–	–	527	767
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	–	240	–	–	625	865
Mr. Liao Jianwen	–	240	–	–	625	865
Mr. Xu Xinmin	–	240	–	–	625	865
	–	2,504	1,014	12	6,649	10,179

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2015						
Executive directors						
Mr. Tang Xuebin	–	360	416	5	1,198	1,979
Mr. Dong Dong	–	273	339	5	1,147	1,764
Mr. Zhou Qinwei	–	643	59	21	856	1,579
Non-executive directors						
Mr. Pan Jun (note a)	–	240	–	–	1,314	1,554
Mr. Lam Kam Tong (note a)	–	240	–	–	560	800
Mr. Zeng Liqing (note b)	–	74	–	–	233	307
Mr. Zhou Hongyi (note b)	–	150	–	–	327	477
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	–	240	–	–	560	800
Mr. Liao Jianwen	–	240	–	–	560	800
Mr. Xu Xinmin	–	240	–	–	560	800
	–	2,700	814	31	7,315	10,860

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Notes:

(a) For the year ended 31 December 2016, Mr. Pan Jun and Mr. Lam Kam Tong are employed by Fantasia Holdings, and both are executive directors of Fantasia Holdings, and also non-executive directors of the Company, Mr. Pan Jun and Mr. Lam Kam Tong have held various positions in Fantasia Holdings and its subsidiaries and it is impracticable to allocate their expenses among Fantasia Holdings and its subsidiaries. Therefore, the share-based payment expenses to Mr. Pan Jun and Mr. Lam Kam Tong related to share options granted by the Company for their services rendered to the Group are bore and recognised by the Company.

(b) Mr. Zhou Qinwei resigned on 25 July 2016.

Mr. Zeng Liqing resigned on 20 April 2015.

Mr. Zhou Hongyi was appointed as a non-executive director of the Company on 15 May 2015.

(c) The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

The executive directors' emolument shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emolument shown above were mainly for their services as directors of the Company.

Mr. Tang Xuebin is the Chief Executive of the Company, and his emoluments disclosed above include those for services rendered by him as Chief Executive.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals of the Group included 1 (2015: 3) director for the year ended 31 December 2016. The remunerations of the remaining 4 (2015: 2) individuals for the year ended 31 December 2016, which were individually ranging from HKD2,000,000 to HKD2,500,000 set out below:

	2016 RMB'000	2015 RMB'000
Employees		
— salaries and other benefits	**2,871**	1,411
— retirement benefits scheme contributions	**19**	9
— share-based payment expenses	**4,734**	2,498
	7,624	3,918

During the year ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the years ended 31 December 2016 and 2015.

10. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**10,179**	10,860
Other staffs' salaries and other benefits	**510,054**	302,714
Retirement benefits scheme contributions	**48,534**	28,326
Share-based payment expenses	**72,392**	81,164
Total staff costs	**641,159**	423,064
Auditors' remuneration	**2,858**	2,887
Amortisation of intangible assets	**23,108**	13,004
Depreciation for property, plant and equipment	**27,779**	15,069
Minimum lease payments under operating leases in rented premises	**10,614**	6,437
Allowance for doubtful debts on trade receivables	**11,522**	9,367
Impairment loss recognised on payments on behalf of residents under commission basis	**17,274**	19,099

11. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2015 final dividend HK10.00 cents (2015: HK9.00 cents) per share	**84,695**	71,033

Subsequent to 31 December 2016, a final dividend for the year ended 31 December 2016 of HK10.00 cents, equivalent to RMB8.95 cents (2015: HK10.00 cents, equivalent to RMB8.42 cents) per share amounting to RMB89,462,000 in aggregate, of which RMB144,000 is to be paid in respect of shares held for share award scheme as at 31 December 2016, has been proposed by the directors for approval by the shareholders of the company in the forthcoming annual general meeting. The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

12. 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:

	2016	2015
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**187,785**	168,438
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,000,119**	1,000,074
Effect of dilutive potential ordinary shares:		
Share options	**–**	464
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,000,119**	1,000,538

For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the options were higher than the average market price per share from the date of grant to the year end.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2015	3,486	4,586	56,014	1,631	15,780	81,497
Additions	550	1,526	12,911	774	39,425	55,186
Acquisitions of subsidiaries (note 37(a))	88,068	–	3,944	1,841	–	93,853
Transfer	–	–	45,658	–	(45,658)	–
Transfer to investment property	(33,649)	–	–	–	–	(33,649)
Disposals	–	(459)	(584)	–	–	(1,043)
At 31 December 2015	**58,455**	**5,653**	**117,943**	**4,246**	**9,547**	**195,844**
Additions	**–**	**4,130**	**14,548**	**101**	**34,069**	**52,848**
Acquisitions of subsidiaries (note 37(a))	**–**	**62**	**878**	**–**	**–**	**940**
Transfer	**–**	**–**	**22,795**	**–**	**(22,795)**	**–**
Disposals	**(13,959)**	**–**	**(994)**	**(23)**	**–**	**(14,976)**
At 31 December 2016	**44,496**	**9,845**	**155,170**	**4,324**	**20,821**	**234,656**
ACCUMULATED DEPRECIATION						
At 1 January 2015	296	3,026	10,011	618	–	13,951
Provided for the year	568	410	13,249	842	–	15,069
Eliminated on disposals	–	(30)	(245)	–	–	(275)
At 31 December 2015	**864**	**3,406**	**23,015**	**1,460**	**–**	**28,745**
Provided for the year	**2,340**	**667**	**23,808**	**964**	**–**	**27,779**
Eliminated on disposals	**(1,838)**	**–**	**(769)**	**(18)**	**–**	**(2,625)**
At 31 December 2016	**1,366**	**4,073**	**46,054**	**2,406**	**–**	**53,899**
CARRYING VALUES						
At 31 December 2016	**43,130**	**5,772**	**109,116**	**1,918**	**20,821**	**180,757**
At 31 December 2015	57,591	2,247	94,928	2,786	9,547	167,099

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than the construction in progress are depreciated on a straight-line basis over the following period:

Buildings	Over the shorter of the term of lease or 50 years
Leasehold improvement	Over the shorter of the term of lease or 3–10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5–10 years

14. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2015	29,790
Additions	3,011
Addition from acquisition of subsidiaries (note 37(a))	15,367
Transfer from property, plant and equipment	33,649
Net increase in fair value recognised in profit or loss	6,987
At 31 December 2015	**88,804**
Additions	**4,354**
Disposals	**(4,825)**
Disposal from disposal of a subsidiary (note 37(b))	**(1,308)**
Net increase in fair value recognised in profit or loss	**5,503**
At 31 December 2016	**92,528**
Unrealised gain on property revaluation included in profit or loss	**8,230**

The fair values of the Group's completed investment properties at 31 December 2016 and 2015 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The investment properties are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted. The Group has recognised deferred taxation on fair value changes in investment properties taking into account the land appreciation tax on disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

15. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Cost of investment, unlisted	**6,000**	5,400
Share of post-acquisition results, net of dividends received	**1,728**	932
	7,728	6,332

Particulars of the Group's interests in associates at the end of the reporting periods are as follows:

Name of entity	Place of establishment and operation	Registered capital RMB'000	Paid-up capital RMB'000	Proportion of ownership interest and voting right held by the Group At 31 December 2016	2015	Principal activity
深圳市越眾物業管理有限公司 Shenzhen Yuezhong Property Management Co., Ltd. ("Shenzhen Yuezhong Property Management") (note a)	PRC	1,000	1,000	**50%**	50%	Provision of property management services
深圳市前海房管家網絡服務有限公司 Shenzhen Qianhai House Keeper Network Service Co., Ltd. ("Shenzhen Qianhai House Keeper") (note b)	PRC	10,000	10,000	**49%**	49%	Provision of network consultancy services
深圳市搜社社區服務發展研究院有限公司 Shenzhen Soushe Community Services Development Research Co., Ltd. ("Shenzhen Soushe Community Services") (note c)	PRC	5,000	3,000	**20%**	–	Inactive

15. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) Pursuant to the shareholder's agreement, the Group has the right to cast 50% of the votes of Shenzhen Yuezhong Property Management at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yuezhong Property Management. Other than the Group, Shenzhen Yuezhong Property Management has two other shareholders which hold the remaining equity interest in Shenzhen Yuezhong Property Management of 40% and 10%, respectively. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting. Therefore, Shenzhen Yuezhong Property Management is accounted for as an associate of the Group.

(b) Pursuant to the shareholder's agreement, the Group has the right to cast 49% of the votes of Shenzhen Qianhai House Keeper at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Qianhai House Keeper. Other than the Group, Shenzhen Qianhai House Keeper has an another shareholder which hold the 51% of Shenzhen Qianhai House Keeper. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting. Therefore, Shenzhen Qianhai House Keeper is accounted for as an associate of the Group.

(c) Pursuant to the shareholder's agreement, the Group has the right to cast 20% of the votes of Shenzhen Soushe Community Services at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the return of Shenzhen Soushe Community Services. Other than the Group, Shenzhen Soushe Community Services has four other shareholders which hold the remaining equity interest in Shenzhen Soushe Community Services of 45%, 15%, 10% and 10%, respectively. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting. Therefore, Shenzhen Soushe Community Services is accounted for as an associate of the Group.

Summarised financial information prepared in accordance with HKFRSs in respect of the Group's associates which are individually immaterial is set out below.

	2016 **RMB'000**	2015 RMB'000
Aggregate information of associates that are not individually material		
The Group's share of profit	**796**	627

16. INTEREST IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Cost of investment, unlisted	**250**	250
Share of post-acquisition results, net of dividends received	**600**	858
	850	1,108

Particulars of the Group's interest in a joint venture at the reporting dates are as follows:

Name of entity	Place of establishment and operation	Registered capital and paid-up capital RMB'000	Proportion of registered capital and voting power held by the Group 2016 & 2015	Principal activity
桂林市同濟樓宇科技工程安裝有限公司 Guilin Tongji Building Technology Engineering Installation Co., Ltd. ("Guilin Tongji")	PRC	500	50%	Provision of engineering services

Pursuant to the shareholder agreement, the Group and 桂林市振安物業服務有限公司Guilin Zhenan Property Service Co., Ltd. ("Guilin Zhenan") each held 50% equity interest in Guilin Tongji. The board of directors of Guilin Tongji, the governing body which directs the relevant activities that significantly affects the returns of Guilin Tongji, consists of two directors of which the Group and Guilin Zhenan can appoint one director each to the board of directors. The approval of the relevant activities requires a simple majority of directors' votes. Therefore, Guilin Tongji is jointly controlled by the Group and Guilin Zhenan. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Guilin Tongji, it is accounted for as a joint venture of the Group.

Summarised financial information in respect of the Group's joint venture prepared in accordance with HKFRSs which is immaterial is set out below:

	2016 RMB'000	2015 RMB'000
Information of the joint venture that is not material		
The Group's share of profit	**(258)**	162

17. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2016 RMB'000	2015 RMB'000
Listed equity securities at fair value	(a)	**73,103**	–
Unlisted equity securities at cost	(b)	**60,200**	–
		133,303	–

Notes:

(a) The listed equity investment represented the Group's investment in listed equity securities 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") 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. NEEQ is not considered as an active market for accounting purpose as its transaction volume is low. The fair value of the investment is based on the valuation provided by an independent valuer and the key inputs of the valuation are the market multiple of the listed shares of the peers and subject to discount rate for lack of marketability.

(b) The unlisted equity securities represented the investment in 蕪湖歌斐資產管理有限公司 Wuhu Gopher Asset Management Co., Ltd. ("Wuhu Gopher") and 深圳百城精工有限公司 Shenzhen Baicheng Jinggong Co., Ltd. ("Baicheng Jinggong"). At 31 December 2016, the investments owned by the Group represented 6.1% and 10.0% of the equity interests of Wuhu Gopher and Baicheng Jinggong amounting to RMB60,000,000 and RMB200,000, respectively.

The above investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. INTANGIBLE ASSETS

	Property management contracts and customer relationship RMB'000
COST	
At 1 January 2015	31,261
Acquired on acquisition of subsidiaries (note 37(a))	138,187
At 31 December 2015	169,448
Acquired on acquisition of subsidiaries (note 37(a))	81,378
At 31 December 2016	**250,826**
AMORTISATION	
At 1 January 2015	4,411
Provided for the year	13,004
At 31 December 2015	17,415
Provided for the year	23,108
At 31 December 2016	**40,523**
CARRYING VALUES	
At 31 December 2016	**210,303**
At 31 December 2015	152,033

The property management contracts and customer relationship were acquired from third parties through the acquisition of subsidiaries during the years ended 31 December 2016 and 2015.

The intangible assets have finite useful lives and amortised on a straight line basis over the remaining contract term ranging from 60 months to 120 months.

19. GOODWILL

	RMB'000
COST	
At 1 January 2015	106,058
Arising on acquisition of business (note 37(a))	470,446
At 31 December 2015	576,504
Arising on acquisition of business (note 37(a))	173,946
At 31 December 2016	**750,450**
IMPAIRMENT	
At 31 December 2015 and 2016	870
CARRYING VALUES	
At 31 December 2016	**749,580**
At 31 December 2015	575,634

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

During the years ended 31 December 2016 and 2015, management of the Group determined that there is no impairment of its Property Management CGU containing goodwill arising from the acquisition of businesses.

The recoverable amount of the Property Management CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a 5-year period and at discount rates which ranges from 14% to 20% per annum as at 31 December 2015 and 2016. The cash flows beyond the five-year period are extrapolated using zero growth rate.

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

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2016 RMB'000	2015 RMB'000
Trade receivables		**284,667**	184,594
Retention receivables		**4,008**	3,880
Invoices to be issued	(a)	**14,948**	13,062
		303,623	201,536
Less: Allowance for doubtful debts		**(24,851)**	(14,987)
Total trade receivables		**278,772**	186,549
Other receivables and prepayments:			
Deposits		**42,137**	16,330
Advances to staffs	(b)	**46,025**	25,760
Prepayments to suppliers		**26,468**	14,325
Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia")		**16,760**	2,430
Payments on behalf of residents under lump sum basis	(c)	**30,102**	22,356
Payments on behalf of residents for residential communities under consultancy service arrangements	(d)	**27,861**	24,186
Receivables from former shareholders of subsidiaries		**2,795**	5,181
Others		**11,368**	7,147
		203,516	117,715
		482,288	304,264
Classified as:			
Non-current			
Trade receivables	(e)	**8,247**	7,199
Other receivables and prepayments	(f)	**7,489**	5,964
		15,736	13,163
Current			
Trade receivables		**270,525**	179,350
Other receivables and prepayments		**196,027**	111,751
		466,552	291,101
		482,288	304,264

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Notes:

(a) For the customers of installation of energy-saving lighting systems, of which they are mainly the residential communities managed by the Group, the Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. The unbilled installation revenue is discounted at an effective interest rate of 8.0% (2015: 8.3%) per annum for the year ended 31 December 2016. Upon meeting the revenue recognition criteria, installation revenue recognised prior to the issuance of invoice is recognised as "invoice to be issued" in the consolidated statement of financial position.

(b) The balances included the housing loans amounting to RMB8,716,000 (2015: RMB6,919,000) granted to staffs by the Group for their purchases of own properties. The housing loans bear interests at the rate ranged from 5.4% to 10% per annum and would be repaid in seven to ten years. Based on the terms of the housing loans agreements, the amount of RMB1,227,000 (2015: RMB955,000) to be repaid in one year are classified as current assets and the amount of RMB7,489,000 (2015: RMB5,964,000) to be repaid after one year are classified as non-current assets.

(c) The balance represented the utilities bills paid to the water supplies companies and electricity companies on behalf of the residents under lump sum basis. The payments on behalf of the residents will be re-charged to the residents at a rate pre-determined between the Group and the residents.

(d) The balance represented the amount paid on behalf of residential communities which are under the consultancy service arrangements. The management offices of residential communities under the consultancy services arrangement have no separate bank accounts because these management offices have no separate legal entity status. In accordance with the consultancy services agreements, the Group would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of the group entities.

(e) Trade receivables classified as non-current represented the following:

  (i) Installation revenue to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the installation of energy-saving lighting systems as mentioned in note 20(a) above.

  (ii) The retention receivables arisen from engineering services whereby the Group expects the settlement from customers will be made after twelve months from the end of each reporting period, which is based on the expiry of the retention period.

(f) Other receivables and prepayments classified as non-current assets represented the housing loans to be repaid after one year, as disclosed in note 20(b).

Trade receivables are mainly arisen from property management service income from communities under lump sum basis, installation contract income from engineering services and service income from common area rental assistance, online promotion services and other services.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Property management service income from communities under lump sum basis are received in accordance with the terms of the relevant property service agreements. Service income from property management services are due for payment by the residents upon the issuance of demand note, the receiving pattern of the management and service income from property management services are normally within 30 days to 1 year after the issuance of demand note to the residents. Each customer from the property management services has a designated credit limit.

Installation service income from engineering services are received in accordance with the terms of the relevant installation contract agreements, normally within 30 to 90 days from the issuance of payment requests.

Service income from common area rental assistance, online promotion services and other services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issuance of demand note.

Certain trade receivables in relation to the installation work of energy-saving lighting systems from engineering services are under 48-month interest-free instalment sales contracts entered with customers. The credit period is normally within 90 days from the issuance of payment requests.

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 Caizhijia, of which the invoice date represented the payment due date:

	2016 **RMB'000**	2015 RMB'000
0–30 days	**92,158**	81,728
31–90 days	**43,229**	36,922
91–180 days	**44,130**	26,453
181–365 days	**58,878**	33,280
Over 1 year	**46,272**	6,211
	284,667	184,594

For the engineering services and community leasing, sales and other services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

In determining the recoverability of trade receivables from the property management services, the Group estimates the recoverable amount of property management fee in each residential communities managed by the Group. Considering the residents are living in these residential communities managed by the Group, together with good collection record from the residents and subsequent settlement, in the opinion of the directors of the Company, the trade receivables from property management services are of good credit quality and no impairment allowance is necessary in respect of the remaining unsettled balances.

In determining the recoverability of trade receivables from the engineering services and community leasing, sales and other services, the Group estimates the recoverable amount of each customer with reference to the collection record and subsequent settlement from the customers and offset agreements signed between the Group and independent property developers, which are customers of the Group, regarding the disposals of their properties to the Group for settlement of the trade receivables.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB154,499,000 (2015: RMB87,878,000), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade receivables

	2016 **RMB'000**	2015 RMB'000
0 – 90 days	**37,690**	36,665
91 – 180 days	**40,375**	24,682
181 – 365 days	**43,335**	23,128
Over 1 year	**33,099**	3,403
	154,499	87,878

In determining the recoverability of trade receivable — invoice to be issued in relation to the installation work of energy-saving lighting systems from engineering services under 48-month interest-free instalment sales contracts entered with customers, the Group's estimation of recoverability is with reference to the expected drop-out rate of the residential communities managed by the Group. Considering if a residential community has terminated the property management agreement with the Group, the directors considered the relevant trade receivables invoice to be issued in relation to the installation work of energy-saving lighting system may be uncollectible, and impairment allowance is provided accordingly.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movement in the allowance for doubtful debts

	2016 **RMB'000**	2015 RMB'000
Balance at the beginning of the year	**14,987**	5,620
Impairment losses recognised on receivables	**11,522**	9,367
Amounts written off as uncollectible	**(1,658)**	–
Balance at the end of the year	**24,851**	14,987

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB24,851,000 (2015: RMB14,987,000), with reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. The Group does not hold any collateral over these balances.

21. LOAN RECEIVABLES

	Notes	**2016** **RMB'000**	2015 RMB'000
西安地聯置業有限責任公司 Xi'an Dilian Real Estate Co., Ltd. ("Xi'an Dilian")	(a)	**150,000**	–
深圳乾訊科技有限公司 Shenzhen Qianxun Technology Co., Ltd. ("Shenzhen Qianxun")	(b)	**67,500**	–
上海銀灣生活網絡股份有限公司 Shanghai Yinwan Life Network Co., Ltd. ("Shanghai Yinwan")	(c)	**9,750**	–
Fixed-rate loan receivables		**227,250**	–
Less: Amounts shown under non-current assets		**(9,750)**	–
Amounts shown under current assets		**217,500**	–

21. LOAN RECEIVABLES *(Continued)*

Notes:

(a) In December 2016, the Group entered into a loan agreement with Xi'an Dilian, a company controlled by Ms. Cui Ronghua (崔榮華), a non-controlling shareholder of a subsidiary of the Group, regarding the fund provision of RMB150,000,000 to Xi'an Dilian, with maturity date in May 2017. The fund advanced to Xi'an Dilian carries interest at 12% per annum and is secured by 100% equity interests of Xi'an Dilian and 100% equity interests of two unlisted companies, whose ultimate controlling shareholder is Ms. Cui Ronghua (崔榮華).

(b) In December 2016, the Group entered into a loan agreement with Shenzhen Qianxun, which provides repair and maintenance services to the residential communities through the Group's online platform, regarding the fund provision of RMB70,500,000 to Shenzhen Qianxun with maturity date in June 2017. The fund advanced to Shenzhen Qianxun carries interests at 12% per annum and is unsecured. As at 31 December 2016, the fund advanced to Shenzhen Qianxun is RMB67,500,000. At the date these consolidated financial statements are authorised for issuance, RMB25,000,000 has been settled.

(c) In October 2016, the Group entered into an agreement with Mr. Hu Zhubang (胡祝幫), the individual controlling shareholder of Shanghai Yinwan. Pursuant to the agreement, the Group should inject capital of RMB32,500,000 to Shanghai Yinwan, which represents 5.72% of its registered capital, and the Group has the right to require Shanghai Yinwan to redeem the 5.72% paid-in capital at a consideration no less than RMB42,500,000 in December 2019. As the Group would not have the right to share any profit or loss, nor have any significant influence over Shanghai Yinwan, the management of the Group considered the aforesaid arrangement to be fund provision to Shanghai Yinwan and the fund advanced to Shanghai Yinwan is classified as loan receivables in the consolidated statement of financial position. The fund advanced to Shanghai Yinwan carries interests at 12% per annum. As at 31 December 2016, the fund advanced to Shanghai Yinwan is RMB9,750,000.

22. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2016 and 2015:

	Allowance on doubtful debt	Temporary difference on long-term receivables and others	Fair value adjustments of properties	Fair value adjustments of AFS investments	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	6,704	(996)	(542)	–	(6,712)	(1,546)
Acquisition of subsidiaries (note 37(a))	5,902	–	(12,749)	–	(34,547)	(41,394)
Credit (charge) to profit or loss	7,116	9	(1,747)	–	3,251	8,629
At 31 December 2015	19,722	(987)	(15,038)	–	(38,008)	(34,311)
Acquisition of subsidiaries (note 37(a))	–	–	–	–	(20,345)	(20,345)
Disposal of subsidiaries (note 37(b))	(83)	–	2	–	–	(81)
Credit (charge) to profit or loss	6,867	(472)	906	–	5,777	13,078
Charge to other comprehensive expense	–	–	–	(5,776)	–	(5,776)
At 31 December 2016	**26,506**	**(1,459)**	**(14,130)**	**(5,776)**	**(52,576)**	**(47,435)**

22. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**26,506**	19,722
Deferred tax liabilities	**(73,941)**	(54,033)
	(47,435)	(34,311)

The Group had unutilised tax losses of RMB23,469,000 (2015: RMB10,489,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB129,709,000 (2015: RMB89,853,000). A deferred tax asset has been recognised in respect of RMB106,024,000 (2015; RMB78,888,000). No deferred tax asset has been recognised for the remaining amounts of RMB23,685,000 (2015: RMB10,965,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES

As at 31 December 2016, the Group has made deposits of RMB142,537,000 (2015: RMB106,736,000) in relation to the proposed acquisition of business through acquisition of Nanchang Futian Property Management Co., Ltd. (南昌福田物業管理有限公司), Hangzhou Mingcheng Property Management Co., Ltd. (杭州銘城物業有限公司), Shanghai Youquan Property Management Co., Ltd. (上海友全物業管理有限公司), Benxi Jinli Property Management Co., Ltd. (本溪金利物業有限公司), Zhejiang Sanhua Property Management Co., Ltd. (浙江三花物業管理有限公司), Jinan Qihua Property Management Co., Ltd. (濟南齊華物業管理有限公司), Hangzhou Zhuosheng Property Management Co., Ltd. (杭州卓盛物業管理有限公司), Changzhou Yuanxin Property Service Co., Ltd. (常州源鑫物業服務有限公司), Changzhou Jiuzhou Fuan Property Service Co., Ltd. (常州九洲福安物業服務有限公司), Siyang Jiahua Property Management Co., Ltd. (泗陽嘉華物業管理有限公司), Gaoyou Tongyang Property Services Co., Ltd. (高郵市通揚物業服務有限公司), Jiangsu Zhiyuan Property Management Co., Ltd. (江蘇志遠物業管理公司), Wuhan Tianyuhong Property Management Co., Ltd. (武漢天宇弘物業管理有限公司), Baoji Jufeng Hongyuan Property Management Co., Ltd. (寶雞市聚豐弘遠物業管理有限公司), Chengdu Haojia Property Services Co., Ltd. (成都浩佳物業服務有限公司) from independent third parties.

At the date these consolidated financial statements are authorised for issuance, the acquisition of these subsidiaries has not been completed.

24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2016 RMB'000	2015 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**136,602**	121,303
Less: Progress billing	**(112,330)**	(104,116)
	24,272	17,187
Represented by:		
Amounts due from contract customers within one year	**41,018**	34,328
Amounts due to contract customers within one year	**(16,746)**	(17,141)
	24,272	17,187

Retentions held by customers for contract works for installation contracts was included in trade receivables at 31 December 2016 and 2015. No significant advance was received from customers prior to commencement of contract works at 31 December 2016 and 2015.

25. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	2016 RMB'000	2015 RMB'000
Receivables	**259,802**	169,626
Payables	**(156,442)**	(104,033)

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

25. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Movements of allowance for doubtful debts

	2016 RMB'000	2015 RMB'000
At beginning of the year	**37,434**	18,335
Additional allowance for doubtful debts	**17,274**	19,099
At end of the year	**54,708**	37,434

In determining the recoverability of the payments on behalf of property management offices of residential communities under commission basis, the management of the Group reviews the cash receipts from residents of respective property management offices during each reporting period in order to assess the collectability of payments on behalf of property management offices under commission basis.

At the end of the reporting period, the Group made specific allowance for payments on behalf of residents which the respective communities terminated or expected to terminate the property management agreements with the Group. Based on the management's evaluation of collectability of each receivable, management will provide full allowance on those receivables due from terminated communities as historical experience shown that these receivables from terminated communities may not be recoverable from termination.

In addition, at the end of the reporting period, the Group made allowance for payments on behalf of property management offices of residential communities with poor financial performance based on an evaluation of the collectability of the receivables from these management offices. With reference to the historical experience of these receivables, the collection of these receivables may not be fully recoverable. Accordingly, the Group made allowance on these poor financial performance management offices on a collective basis.

26. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

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

The return and principal of above investments were not guaranteed by the securities corporation. The value of the market funds investment 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 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 31 December 2016, the principal of the investments are RMB83,275,000 (2015: RMB19,200,000). In the opinion of directors, the fair value of investment at 31 December 2016 approximated to their principal amount.

27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits as at 31 December 2016 amounting to RMB492,675,000 (2015: RMB551,383,000) were pledged to banks to secure the banking facilities granted to the Group.

The Group's pledged bank deposits and bank balances carry interest at rates which range from 0.35% to 3.7% (2015: 0.3 % to 3%) and from 0.01% to 1.5% (2015: 0.01 % to 1.6%) per annum, respectively.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	Notes	**2016 RMB'000**	2015 RMB'000
Trade payables		**113,991**	80,231
Other payables and accruals:			
Receipts on behalf of residents under lump sum basis	(a)	**54,250**	50,181
Receipts on behalf of residents for residential communities under consultancy services arrangement		**9,978**	3,367
Receipts on behalf of online platform merchants	(b)	**6,157**	5,993
Accrued listing expenses		**–**	670
Advances from customers	(c)	**133,679**	72,844
Deposits received		**80,834**	41,217
Other tax payable		**52,698**	47,843
Rental payable		**436**	1,745
Accrued staff costs		**78,768**	58,559
Provision for retirement benefit contributions		**78,807**	60,998
Consideration payables for acquisition of subsidiaries (note 37)		**48,467**	44,151
Other payables and accruals		**52,103**	33,609
		596,177	421,177
Total		**710,168**	501,408

Notes:

(a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.

(b) The balance represented the receipts on behalf of merchants on the online platform operated by the Group for their services rendered to customers.

(c) The balances represented the advances for settlement of property management service fees.

28. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

The credit period granted by suppliers to the Group ranges from 30 to 60 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2016 **RMB'000**	2015 RMB'000
0–60 days	**74,277**	60,805
61–180 days	**26,521**	9,367
181–365 days	**9,310**	6,574
Over 1 year	**3,883**	3,485
	113,991	80,231

29. BORROWINGS

	Note	**2016** **RMB'000**	2015 RMB'000
Secured bank loans		**561,684**	542,990
Unsecured bank loans		**90,350**	50,000
Unsecured other loan	(a)	**8,260**	–
		660,294	592,990
Variable-rate borrowings		**448,361**	592,990
Fixed-rate borrowings		**211,933**	–
		660,294	592,990
Carrying amounts repayable:			
Within one year		**161,506**	302,990
More than one year, but not exceeding two years		**261,454**	–
More than two years, but not exceeding five years		**229,074**	290,000
Over five years		**8,260**	–
		660,294	592,990
Less: Amounts due within one year shown under current liabilities		**(161,506)**	(302,990)
Amount shown under non-current liabilities		**498,788**	290,000

Note:

(a) Others loans amounting to RMB8,260,000 (2015: nil) represent a loan provided by a trust company, which is unsecured, carries interest at the fixed rate of 8% per annum. The loan balance as at 31 December 2016 will be fully repaid in December 2022.

29. BORROWINGS *(Continued)*

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

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

	2016	2015
Variable-rate bank loans		
Benchmark Lending Rate of the People's Bank of China ("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 bank loans	**3.45% to 5.22%**	–
Fixed-rate other loans	**8.00%**	–

30. CORPORATE BONDS

	Notes	**2016 RMB'000**	2015 RMB'000
Domestic Corporate Bonds I	(a)	**103,944**	–
Domestic Corporate Bonds II	(b)	**298,641**	–
		402,585	–
Carrying amounts repayable:			
Within one year		**14,436**	–
More than one year, but not exceeding two years		**–**	–
More than two years, but not exceeding five years		**388,149**	–
		402,585	–
Less: Amounts due within one year shown under current liabilities		**(14,436)**	–
Amounts shown under non-current liabilities		**388,149**	–

30. CORPORATE BONDS *(Continued)*

Notes:

(a) In January 2016, 深圳市彩生活服務集團有限公司, Shenzhen Colour Life Services Group Co., Ltd. ("Shenzhen Colour Life"), a wholly-owned subsidiary of the Company, issued domestic corporate bonds in aggregate principal amount of RMB100,000,000 ("Domestic Corporate Bonds I"). The Domestic Corporate Bonds I are guaranteed by 花樣年集團(中國)有限公司, Fantasia Group (China) Ltd. ("Fantasia China"), carrying a nominal interest at rate of 6.7 % per annum and interest is payable annually, commencing in January 2016. The issue price is 98.8% of the principal. The effective interest rate is 7.9% per annum. The Domestic Corporate Bonds I will mature in January 2019.

(b) In September 2016, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB300,000,000 ("Domestic Corporate Bonds II"). The Domestic Corporate Bonds II are guaranteed by Fantasia China, carrying a nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in September 2016. The issue price is 97.1% of the principal. The effective interest rate is 8.1% per annum. The Domestic Corporate Bonds II will mature in September 2019.

At the end of the second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of Domestic Corporate Bonds II may at their options ("Put Options") to sell back the bonds to the Group in whole or in part at face value of their principal amount. The bonds contain a liability component and the Put Options. Put Options held by the bonds holders are regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options are not separated from liability component.

The movements of the liability component in the corporate bonds during the year are set out below:

	RMB'000
At 1 January 2016	–
Net proceeds on the date of issuance of corporate bonds	388,149
Interest charge	14,436
At 31 December 2016	402,585

31. ASSETS BACKED SECURITIES ISSUED

	2016 RMB'000	2015 RMB'000
Assets backed securities issued	**275,084**	–
Carrying amounts repayable:		
Within one year	**37,642**	–
More than one year, but not exceeding two years	**52,236**	–
More than two years, but not exceeding five years	**185,206**	–
	275,084	–
Less: Amounts due within one year shown under current liabilities	**(37,642)**	–
Amounts shown under non-current liabilities	**237,442**	–

In August 2016, Shenzhen Colour Life issued assets backed securities ("ABS") under securitisation arrangements collateralised by the future cash inflows relating to certain trade receivables for the payments of property management fee and guaranteed by Fantasia China. The ABS were issued at discount of 5% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of ABS amounting to RMB135,000,000, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options ("Put Options") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Options held by the bonds holders are regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options are not separated from liability component.

The movement of the liability component in the ABS during the year is set out below:

	RMB'000
At 1 January 2016	–
Net proceeds on the date of issuance of ABS	284,930
Interest expenses	6,863
Repayment of principal	(12,500)
Interest paid	(4,209)
At 31 December 2016	275,084

32. SHARE CAPITAL

	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.1 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	**50,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2015	1,000,000	100,000
Issue of shares upon exercise of share options	119	12
At 31 December 2015 and 2016	**1,000,119**	**100,012**

	Amount RMB'000
Shown in the consolidated financial statements:	
At 31 December 2015 and 2016	79,325

33. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Scheme — Company") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Employees"). Under the Scheme — Company, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme — Company.

33. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2016, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 90,711,000 (2015: 66,484,000) of HKD0.1 each, representing 9.1% (2015: 6.6%) of the issued share capital of the Company.

Details of the share options granted under the Scheme — Company is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HKD6.66	N/A	29/9/2014 — 28/9/2024
			29/9/2014 — 28/9/2015	29/9/2015 — 28/9/2024
			29/9/2014 — 28/9/2016	29/9/2016 — 28/9/2024
			29/9/2014 — 28/9/2017	29/9/2017 — 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 — 29/4/2016	30/4/2016 — 29/4/2025
			30/4/2015 — 29/4/2017	30/4/2017 — 29/4/2025
			30/4/2015 — 29/4/2018	30/4/2018 — 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 — 17/3/2017	18/3/2017 — 17/3/2026
			18/3/2016 — 17/3/2018	18/3/2018 — 17/3/2026
			18/3/2016 — 17/3/2019	18/3/2019 — 17/3/2026
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	HKD6.66	N/A	29/9/2014 — 28/9/2024
			29/9/2014 — 28/9/2015	29/9/2015 — 28/9/2024
			29/9/2014 — 28/9/2016	29/9/2016 — 28/9/2024
			29/9/2014 — 28/9/2017	29/9/2017 — 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 — 29/4/2016	30/4/2016 — 29/4/2025
			30/4/2015 — 29/4/2017	30/4/2017 — 29/4/2025
			30/4/2015 — 29/4/2018	30/4/2018 — 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 — 17/3/2017	18/3/2017 — 17/3/2026
			18/3/2016 — 17/3/2018	18/3/2018 — 17/3/2026
			18/3/2016 — 17/3/2019	18/3/2019 — 17/3/2026

33. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2016 and 2015:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2016
			'000	'000	'000	'000	'000	'000	'000	'000	'000
Directors	29 September 2014	N/A	560	–	–	–	560	–	(40)	–	520
		29/9/2014–28/9/2015	1,270	–	–	–	1,270	–	(206)	–	1,064
		29/9/2014–28/9/2016	1,270	–	–	–	1,270	–	(206)	–	1,064
		29/9/2014–28/9/2017	711	–	–	–	711	–	(163)	–	548
	30 April 2015	30/4/2015–29/4/2016	–	477	–	–	477	–	(41)	–	436
		30/4/2015–29/4/2017	–	477	–	–	477	–	(42)	–	435
		30/4/2015–29/4/2018	–	476	–	–	476	–	(41)	–	435
	18 March 2016	18/3/2016–17/3/2017	–	–	–	–	–	487	(60)	–	427
		18/3/2016–17/3/2018	–	–	–	–	–	487	(61)	–	426
		18/3/2016–17/3/2019	–	–	–	–	–	486	(60)	–	426
			3,811	1,430	–	–	5,241	1,460	(920)	–	5,781
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	6,107	–	(308)	(119)	5,680	–	(145)	–	5,535
		29/9/2014–28/9/2015	13,730	–	(1,070)	–	12,660	–	(1,037)	–	11,623
		29/9/2014–28/9/2016	13,730	–	(1,070)	–	12,660	–	(1,037)	–	11,623
		29/9/2014–28/9/2017	7,622	–	(763)	–	6,859	–	(891)	–	5,968
	30 April 2015	30/4/2015–29/4/2016	–	7,857	(62)	–	7,795	–	(1,551)	–	6,244
		30/4/2015–29/4/2017	–	7,857	(62)	–	7,795	–	(1,552)	–	6,243
		30/4/2015–29/4/2018	–	7,856	(62)	–	7,794	–	(1,551)	–	6,243
	18 March 2016	18/3/2016–17/3/2017	–	–	–	–	–	10,929	(445)	–	10,484
		18/3/2016–17/3/2018	–	–	–	–	–	10,929	(445)	–	10,484
		18/3/2016–17/3/2019	–	–	–	–	–	10,929	(446)	–	10,483
			41,189	23,570	(3,397)	(119)	61,243	32,787	(9,100)	–	84,930
Total			45,000	25,000	(3,397)	(119)	66,484	34,247	(10,020)	–	90,711
Exercisable at the end of the year											38,109

33. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015 and HKD5.76 on 18 March 2016, respectively. 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	30 April 2015	29 September 2014
Market price	**HKD5.76**	HKD10.88	HKD6.66
Exercise price	**HKD5.76**	HKD11.00	HKD6.66
Expected volatility	**46.20%**	46.26%	48.82%
Risk-free rate	**1.27%**	1.63%	2.01%
Expected dividend yield	**1.55%**	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015 and RMB72,023,000 on 18 March 2016, respectively. The Group recognised the total expense of RMB79,041,000 (2015: RMB88,431,000) for the year ended 31 December 2016 in relation to share options granted by the Company.

(b) Fantasia Holdings

The share option scheme of Fantasia Holdings (the "Scheme — Fantasia Holdings") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on 28 August 2021 and 15 October 2022. Under the Scheme — Fantasia Holdings, the Board of Directors of Fantasia Holdings is authorized to grant options at a consideration of HKD1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Fantasia Holdings' Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Fantasia Holdings' Scheme ("Fantasia Holdings' Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Fantasia Holdings' Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings' share capital or with a value in excess of HKD5 million must be approved in advance by Fantasia Holdings' shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Scheme — Fantasia Holdings.

33. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia on the offer date; (ii) the average of the closing price of Fantasia Holdings' shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at 31 December 2016, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted under the Scheme — Fantasia Holdings is 17,190,000 (2015: 17,190,000) of HKD0.1 each, representing 0.3% of the issued share capital of Fantasia Holdings.

Details of the share options granted under the Scheme — Fantasia Holdings is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011–28/8/2012	29/8/2012–28/8/2021
			29/8/2011–28/8/2013	29/8/2013–28/8/2021
			29/8/2011–28/8/2014	29/8/2014–28/8/2021
	16 October 2012	HKD0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022
Employees of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011–28/8/2012	29/8/2013–28/8/2021
			29/8/2011–28/8/2013	29/8/2014–28/8/2021
			29/8/2011–28/8/2014	29/8/2015–28/8/2021
	16 October 2012	HKD0.8	16/10/2012–15/10/2013	16/10/2013–15/10/2022
			16/10/2012–15/10/2014	16/10/2014–15/10/2022
			16/10/2012–15/10/2015	16/10/2015–15/10/2022

33. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The following table discloses movements of Fantasia Holdings' share options held by employees and directors of the Group during the years ended 31 December 2016 and 2015:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2015 '000	Granted during the year '000	Cancelled/ lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2015 and 2016 '000
Directors of the Company (note)	29 August 2011	29/8/2011–28/8/2012	634	–	–	–	634
		29/8/2011–28/8/2013	1,268	–	–	–	1,268
		29/8/2011–28/8/2014	4,438	–	–	–	4,438
	16 October 2012	16/10/2012–15/10/2013	861	–	–	–	861
		16/10/2012–15/10/2014	1,722	–	–	–	1,722
		16/10/2012–15/10/2015	6,027	–	–	–	6,027
			14,950	–	–	–	14,950
Employees of the Company	29 August 2011	29/8/2011–28/8/2012	112	–	–	–	112
		29/8/2011–28/8/2013	224	–	–	–	224
		29/8/2011–28/8/2014	784	–	–	–	784
	16 October 2012	16/10/2012–15/10/2013	112	–	–	–	112
		16/10/2012–15/10/2014	224	–	–	–	224
		16/10/2012–15/10/2015	784	–	–	–	784
			2,240	–	–	–	2,240
Total			17,190	–	–	–	17,190
Exercisable at the end of the year							17,190

Note: Mr. Pan Jun and Mr. Lam Kam Tong are directors of both Fantasia Holdings and the Company, the related share-based payment expenses are borne by Fantasia Holding and not allocated to the Company.

33. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The closing price of the shares on the date of grant was HKD0.82 and HKD0.77 at 29 August 2011 and 16 October 2012, respectively. 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 best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	29 August 2011	16 October 2012
Market price	HKD0.820	HKD0.77
Exercise price	HKD0.836	HKD0.80
Expected volatility	40.43%	44.87%
Risk-free rate	1.74%	0.66%
Expected dividend yield	4.878%	5.195%

The Group recognised the total expense of RMB48,000 for the year ended 31 December 2015 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

34. SHARE AWARD SCHEME

The Board of Directors of the Company has adopted a share award scheme (the “Share Award Scheme”) on 4 July 2016 for certain employees of the Group and consultants to the Group (the “Grantees”) as incentives or rewards for their contribution or potential contribution to the Group by way of the Company’s shares acquired by and held through an independent trustee appointed by the Company (the “Trustee”) until fulfilment of special conditions before vesting.

During the year, total of 1,607,000 (2015: nil) Company’s shares were acquired by the Trustee for the Share Award Scheme. The aggregate consideration paid for these shares in an amount of RMB9,010,000 (2015: nil) was deducted from shareholders’ equity.

As at 31 December 2016, the shares held for the Share Award Scheme have not been awarded to eligible employees or consultants of the Group.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes borrowings as disclosed in note 29, corporate bonds as disclosed in note 30, assets backed securities issued as disclosed in note 31, amounts due to non-trade fellow subsidiaries, non-controlling shareholders of subsidiaries, an associate and a joint venture as disclosed in note 43(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, corporate bonds and assets backed securities issued to ensure compliance with financial covenants.

The management of the Group review the capital structure periodically and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,178,323**	1,468,788
Financial assets designated as at FVTPL	**83,275**	19,200
Available-for-sale investments	**133,303**	–
Financial liabilities		
Amortised cost	**1,768,515**	914,140

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, an associate and a director, financial assets designated as at FVTPL, available-for-sale investments, pledged bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to non-controlling shareholders of the subsidiaries, an associate, a joint venture and fellow subsidiaries, borrowings, corporate bonds and assets backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk), credit risk, liquidity risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has bank balances which is denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liability at the respective reporting period are as follow:

	2016	2015
	RMB'000	RMB'000
Assets		
Hong Kong Dollars ("HKD")	**12,754**	71,980
Singapore Dollars ("SGD")	**3,131**	1,655

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD against RMB.

The following table details the Group's sensitivity to a 10% increase and decrease in the RMB against the relevant foreign currencies. 10% is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and cash. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

Foreign currency sensitivity analysis

	2016	2015
	RMB'000	RMB'000
HKD		
Decrease in profit for the year	**(957)**	(5,399)
SGD		
Decrease in profit for the year	**(235)**	(124)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

36. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on pledged bank deposits, bank balances and variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of Benchmark Rate for the bank borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, corporate bonds, assets backed securities issued and amount due to a non-controlling shareholder of a subsidiary and a fellow subsidiary (see notes 29, 30, 31 and 43(b)). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The management considered that interest rate risk in fixed-rate borrowings, corporate bonds, assets backed securities issued and amount due to a non-controlling shareholder of a subsidiary and a fellow subsidiary is insignificant.

Sensitivity analysis

Bank balances and pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and pledged bank deposits at the end of the reporting period. A 25 basis points increase or decrease during the year ended 31 December 2016 (2015: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit during the year would increase/decrease by RMB2,339,000 (2015: RMB1,856,000).

Bank borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate bank borrowings at 31 December 2016. A 25 basis points increase or decrease during the year ended 31 December 2016 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points and all other variables were held constant, the Group's profit during the year would decrease/increase by RMB841,000 (2015: RMB1,112,000).

36. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity security price risks arising from equity investments. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been higher/lower by 25 basis points (2015: nil) and all other variables were held constant, revaluation reserves for the year ended 31 December 2016 would increase/decrease by RMB207,000 (2015: nil) as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The management considers the credit risk exposure of the Group is low as the trade receivables are normally settled within credit period.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, e.g. residents in the residential communities managed by the Group under lump sum basis; customers from engineering service segment in relation to the provision of installation services and customers from community leasing, sales and other services segment in relation to provision of various common area rental assistance, online promotion services and other services.

The management of the Group considered that the credit risk of amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, an associate and a director is insignificant after considering the historical settlement record, credit quality and financial position of these parties.

For the amounts of loan receivables, the Group had not encountered any difficulties in collecting loan receivables and is not aware of any financial difficulties experienced by these parties.

36. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group had no concentration of credit risk in respect of the payments on behalf of residents from residential communities under commission basis, with exposure spread over a number of residential communities managed by the Group. The payments on behalf of residents from each residential community under commission basis contributed less than 10% (2015: 10%) of the total balance of payments on behalf of residents at the end of year. In addition, the Group assesses the estimated future cash flow in respect of recovering from payment on behalf of residents from residential communities under commission basis at the end of the reporting period to determine that adequate impairment losses are made. In this regard, the directors of the Company consider that the credit risk in respect of the receivables from residents is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, corporate bonds and assets backed securities issued and ensure compliance with relative covenants.

The Group relies on borrowings, corporate bonds and assets backed securities issued as a significant source of liquidity. The Group had borrowings of RMB660,294,000 (2015: RMB592,990,000) (note 29), corporate bonds of RMB402,585,000 (2015: nil) (note 30) and assets backed securities issued of RMB275,084,000 (2015: nil) (note 31).

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

36. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 6 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016							
Trade and other payables	**–**	**103,153**	**113,991**	**–**	**–**	**217,144**	**217,144**
Receipts on behalf of residents	**–**	**156,442**	**–**	**–**	**–**	**156,442**	**156,442**
Amounts due to fellow subsidiaries	**14.35**	**1,990**	**1,081**	**3,243**	**15,894**	**22,208**	**16,190**
Amounts due to non-controlling shareholders of the subsidiaries	**–**	**32,886**	**–**	**–**	**–**	**32,886**	**32,886**
Amount due to an associate	**–**	**7,564**	**–**	**–**	**–**	**7,564**	**7,564**
Amount due to a joint venture	**–**	**326**	**–**	**–**	**–**	**326**	**326**
Bank borrowings							
– variable-rates	**2.17**	**–**	**9,689**	**3,599**	**448,880**	**462,168**	**448,361**
– fixed-rates	**4.53**	**–**	**63,374**	**98,630**	**65,787**	**227,791**	**211,933**
Corporate bonds	**6.92**	**–**	**6,700**	**21,000**	**455,400**	**483,100**	**402,585**
Assets backed securities issued	**5.61**	**–**	**16,568**	**50,111**	**266,059**	**332,738**	**275,084**
		302,361	**211,403**	**176,583**	**1,252,020**	**1,942,367**	**1,768,515**
As at 31 December 2015							
Trade and other payables	–	94,332	81,976	–	–	176,308	176,308
Receipts on behalf of residents	–	104,033	–	–	–	104,033	104,033
Amounts due to fellow subsidiaries	–	4,734	–	–	–	4,734	4,734
Amounts due to non-controlling shareholders of the subsidiaries	8.9	30,125	60	179	1,074	31,438	30,941
Amount due to an associate	–	5,040	–	–	–	5,040	5,040
Amount due to a joint venture	–	94	–	–	–	94	94
Bank borrowings							
– variable-rates	2.71	–	203,888	108,527	305,462	617,877	592,990
		238,358	285,924	108,706	306,536	939,524	914,140

36. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about 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)

	Fair values		Fair value hierarchy
	2016 RMB'000	2015 RMB'000	
Financial assets designated as at FVTPL	**83,275**	19,200	Level 2
Equity securities listed in the PRC classified as available-for-sale investments	**73,103**	–	Level 3
Corporate bonds	**407,890**	–	Level 3
Assets backed securities issued	**289,245**	–	Level 3

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisition of subsidiaries

For the year ended 31 December 2016

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
長沙市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
上海軒宇物業管理有限公司 Shanghai Xuanyu Property Management Co., Ltd.	PRC	August	80%	2,530
昆山中恒物業管理有限公司 Kunshan Zhongheng Property Management Co., Ltd.	PRC	August	80%	5,679
江蘇金陽物業管理有限責任公司 Jiangsu Jinyang Property Management Co., Ltd.	PRC	August	80%	5,880

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2016 *(Continued)*

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration
				RMB'000
福州三澤物業管理有限公司 Fuzhou Sanze Property Management Co., Ltd.	PRC	August	80%	– (note)
東莞市方圓物業管理服務有限公司 Dongguan Fangyuan Property Management Service Co., Ltd.	PRC	August	90%	3,130
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	August	100%	90,100
貴州深宏業物業服務有限公司 Guizhou Shenhongye Property Service Co., Ltd.	PRC	August	80%	8,800
福州新三澤物業服務有限公司 Fuzhou Xinsanze Property Service Co., Ltd.	PRC	August	80%	9,000
四川省西城物業經營管理有限公司 Sichuan Xicheng Property Operation Management Co., Ltd.	PRC	August	80%	5,760
廣安市現代物業管理有限責任公司 Guangan Xiandai Property Management Co., Ltd.	PRC	August	80%	1,920
內江金黃物業管理有限公司 Neijiang Jinhuang Property Management Co., Ltd.	PRC	August	80%	2,000
貴州深宏運商業運營管理有限公司 Guizhou Shenhongyun Commercial operation Management Co., Ltd.	PRC	August	80%	– (note)
贛州嘉聯物業管理有限公司 Ganzhou Jialian Property Management Co., Ltd.	PRC	September	80%	2,080

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2015

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
蘇州悦華置合物業服務有限公司 Suzhou Yuehua Zhihe Property Service Co., Ltd.	PRC	January	85%	30,890
蘇州易亞物業管理有限公司 Suzhou Yiya Property Management Co., Ltd.	PRC	January	90%	19,470
徐州市濱湖花園物業管理有限公司 Xuzhou Binhu Garden Property Management Co., Ltd.	PRC	January	90%	7,880
廣西南寧瀚新物業服務有限公司 Guangxi Nanning Hanxin Property Service Co., Ltd.	PRC	January	80%	3,280
撫州鴻德物業有限公司 Fuzhou Hongde Property Management Co., Ltd.	PRC	January	90%	2,880
長沙高盛物業管理有限公司 Changsha Gaosheng Property Management Co., Ltd.	PRC	January	80%	2,280
鐵嶺世紀中天物業管理有限公司 Tieling Shiji Zhongtian Property Management Co., Ltd.	PRC	January	100%	1,590
瀋陽天盛河畔物業管理有限公司 Shenyang Tiansheng Hepan Property Management Co., Ltd.	PRC	January	95%	1,500
南昌名泰物業管理有限公司 Nanchang Mingtai Property Management Co., Ltd.	PRC	January	90%	1,000
清遠市大管家物業管理有限公司 Qingyuan Daguanjia Property Management Co., Ltd.	PRC	January	80%	900
陝西彩逸飛物業管理有限公司 Shanxi Caiyifei Property Management Co., Ltd.	PRC	January	100%	500
陝西鑫昌物業管理有限公司 Shanxi Xinchang Property Management Co., Ltd.	PRC	January	90%	– (note)

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2015 *(Continued)*

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
寧夏天雨子越物業服務有限公司 Ningxia Tianyu Ziyue Property Service Co., Ltd.	PRC	January	80%	– (note)
世紀物業管理有限公司 Century Property Management Co., Ltd.	PRC	February	85%	1,187
鞍山市大德物業有限公司 Anshan Dade Property Management Co., Ltd.	PRC	March	80%	1,580
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	PRC	June	100%	330,000
常州江南中鑫物業服務有限公司 Changzhou Jiangnan Zhongxin Property Service Co., Ltd.	PRC	June	80%	57,060
蘇州萬寶物業管理有限公司 Suzhou Wanbao Property Management Co., Ltd.	PRC	June	70%	37,330
揚州市恒久物業服務發展有限公司 Yangzhou Hengjiu Property Service Development Co., Ltd.	PRC	June	80%	10,660
廈門市創優物業管理有限公司 Xiamen Chuangyou Property Management Co., Ltd.	PRC	June	70%	10,040
河南瑞祥物業管理有限公司 Henan Ruixiang Property Management Co., Ltd.	PRC	June	80%	6,160
贛州錦通物業管理有限公司 Ganzhou Jintong Property Management Co., Ltd.	PRC	June	100%	6,260
桂林市仁和物業服務有限公司 Guilin Renhe Property Service Co., Ltd.	PRC	June	70%	4,190

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2015 *(Continued)*

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration
				RMB'000
四川蜀峰物業服務有限公司 Sichuan Shufeng Property Service Co., Ltd.	PRC	July	80%	– (note)
葫蘆島市萬廈物業管理有限公司 Huludao Wanxia Property Management Co., Ltd.	PRC	July	80%	3,680
杭州利軒物業管理有限公司 Hangzhou Lixuan Property Management Co., Ltd.	PRC	July	80%	11,325
揚州市興達物業服務有限公司 Yangzhou Xingda Property Service Co., Ltd.	PRC	July	90%	2,450
長沙祥旺物業管理有限公司 Changsha Xiangwang Property Management Co., Ltd.	PRC	July	100%	500
廣西福來物業服務有限責任公司 Guangxi Fulai Property Service Co., Ltd. ("Guangxi Fulai")	PRC	July	80%	47,800
西安榮鑫物業管理有限公司 Xi'an Rongxin Property Management Co., Ltd.	PRC	July	60%	18,889
襄陽江山新苑物業服務有限責任公司 Xiangyang Jiangshan Xinyuan Property Service Co., Ltd.	PRC	July	80%	1,661
清遠市金力物業管理有限公司 Qingyuan Jinli Property Management Co., Ltd.	PRC	July	80%	1,000
榆林市榮鑫物業管理有限公司 Yulin Rongxin Property Management Co., Ltd.	PRC	July	75%	1,990
武漢凱樂豐垠物業管理有限公司 Wuhan Kaile Fengyin Property Management Co., Ltd.	PRC	July	70%	3,080

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

For the year ended 31 December 2015 *(Continued)*

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
荊州市楚陽物業管理有限公司 Jingzhou Chuyang Property Management Co., Ltd.	PRC	September	80%	3,080
成都合力物業服務有限公司 Chengdu Heli Property Service Co., Ltd.	PRC	September	80%	56,500
成都忠信英聯華物業管理顧問有限公司 Chengdu Zhongxin Yinglianhua Property Management Consultant Co., Ltd.	PRC	September	80%	380
上海新貴盛物業管理有限公司 Shanghai Xinguisheng Property Management Co., Ltd.	PRC	September	90%	11,880
河南聯盛物業服務有限公司 Henan Liansheng Property Service Co., Ltd.	PRC	December	80%	9,280
無錫市盛泰物業管理有限公司 Wuxi Shengtai Property Management Co., Ltd.	PRC	December	80%	5,580
上海通翼物業有限公司 Shanghai Tongyi Property Management Co., Ltd.	PRC	December	51%	2,880
南昌幸福物業管理有限公司 Nanchang Xingfu Property Management Co., Ltd.	PRC	December	70%	8,180

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 acquisition are expansion of property management services.

All the acquisitions were acquired from independent third parties.

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

Consideration transferred

	2016 RMB'000	2015 RMB'000
Cash consideration paid in current year	**194,168**	614,476
Deposit paid in prior years	**14,891**	68,385
Consideration payable due within one year included in other payables	**45,153**	43,911
	254,212	726,772

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 consolidated statement of profit or loss and other comprehensive income.

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

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	**940**	93,853
Intangible assets (note)	**81,378**	138,187
Investment properties	**–**	15,367
Deferred tax assets	**–**	5,902
Inventories	**240**	3,768
Trade receivables	**39,111**	52,472
Other receivables and prepayments	**11,792**	43,585
Amounts due from certain subsidiaries of the Company	**34,284**	21,216
Amounts due from non-controlling shareholders of the subsidiaries	**41,949**	66,209
Payments on behalf of residents	**9,108**	43,777
Financial assets designated as at FVTPL	**–**	54,158
Bank balances and cash	**14,331**	155,491
Trade payables	**(12,219)**	(26,426)
Other payables and accruals	**(72,220)**	(195,216)
Receipts on behalf of residents	**(28,179)**	(87,776)
Amounts due to certain subsidiaries of the Company	**(9,535)**	(53,692)
Amounts due to non-controlling shareholders of the subsidiaries	**(93)**	(465)
Bank borrowings	**–**	(299)
Tax liabilities	**(2,826)**	(10,680)
Deferred tax liabilities	**(20,345)**	(47,296)
	87,716	272,135

Note: The fair value of intangible assets acquired in business combination are based on valuations performed by independent qualified professional valuer not connected with the Group.

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

Assets accrued and liabilities recognised at the dates of acquisition are as follows: (Continued)

The trade and other receivables (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries) acquired with a fair value of RMB127,136,000 (2015: RMB183,482,000) as at the date of acquisitions during the year ended 31 December 2016, are approximate to gross contractual amount, with no significant contractual cash flows not expected to be collected.

Goodwill arising on acquisitions

	2016 RMB'000	2015 RMB'000
Consideration transferred	**254,212**	726,772
Add: Non-controlling interests	**7,450**	15,809
Less: Fair value of net identifiable assets acquired	**(87,716)**	(272,135)
Goodwill arising on acquisitions	**173,946**	470,446

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2016 and 2015, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

Intangible assets of RMB81,378,000 (2015: RMB138,187,000) in relation to the acquisition of subsidiaries under property management services segment have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes. The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash outflows arising on acquisitions

	2016 RMB'000	2015 RMB'000
Cash consideration paid in current year	**(194,168)**	(614,476)
Bank balances and cash acquired	**14,331**	155,491
	(179,837)	(458,985)

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

Impact of acquisitions on the results of the Group

Revenue and profits attributable by the additional businesses generated by the acquirees included in the Group since the date of acquisition until the end of the year during the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
	RMB'000	RMB'000
Revenue	**134,646**	348,981
Profit for the year	**17,105**	53,994

Had the above acquisitions been completed on 1 January of respective year, the total Group's revenue and profit for the years ended 31 December 2016 and 2015 would be as follow:

	2016	2015
	RMB'000	RMB'000
Revenue	**1,452,134**	1,179,176
Profit for the year	**226,950**	183,516

The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group for the years ended 31 December 2016 and 2015 that actually would have been achieved had the acquisitions been completed on 1 January 2016 and 2015 nor is it intended to be a projection of future results.

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals of a subsidiary

In October 2016, the Group disposed of its entire equity interests in 深圳市星彥行置業有限公司, Shenzhen Xingyanhang Real Estate Co., Ltd. ("Shenzhen Xingyanhang") to a fellow subsidiary of the Group for a consideration of RMB13,000,000. Shenzhen Xingyanhang was engaged in provision of residential and retail units rental and sales assistance and common area rental assistance.

The net assets of Shenzhen Xingyanhang at disposal date were as follows:

	RMB'000
Consideration satisfied by:	
Cash	13,000
Assets and liabilities disposed of:	
Investment properties	1,308
Deferred tax assets	83
Amounts due from certain subsidiaries of the Company	199
Bank balances and cash	3,568
Other payables and accruals	(916)
Amounts due to fellow subsidiaries	(500)
Deferred tax liabilities	(2)
	3,740
Gain on disposal of a subsidiary recognised in equity	9,260
	13,000

37. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposals of subsidiaries *(Continued)*

Net cash inflow arising on disposal

	RMB'000
Cash consideration	13,000
Less: Bank balances and cash disposed of	(3,568)
	9,432

38. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2016 and 2015, pursuant to the agreements entered into between the Group's certain fellow subsidiaries and independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group.

The carrying amounts of trade receivables which were settled by transfer of properties to the Group during the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Trade receivables due from:		
Fellow subsidiaries	**–**	1,200
Independent third party customers	**4,354**	1,811
	4,354	3,011

39. OPERATING LEASES

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**10,614**	6,437

39. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

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

	2016 RMB'000	2015 RMB'000
Within one year	**47,023**	5,190
Between one and five years	**170,721**	5,877
Over five years	**418,821**	–
	636,565	11,067

Operating lease payments represent rentals payable by the Group for certain office premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

The Group as lessor

The Group had entered into contracts with residential communities to rent out the automation equipment to the residential communities managed by the Group in order to facilitate the automation equipment upgrade services provided to these residential communities. The relevant income is recognised as revenue under engineering services segment. For the automation equipment had been rented out, the committed lease terms are five years.

The Group entered into the lease agreements with landlords and then sub-leased the properties to various leases and recognised the net rental charge between the landlords and tenants as revenue under community leasing, sales and other services segment. These sub-leased properties have committed tenants from one to twenty years.

The Group bulk leased certain office premises and commercial properties from certain independent property developers and then sub-leased to various leases with committed tenants from five to fifteen years.

The Group also rented out its investment properties to independent third parties. For the investment properties that have been rented out, these investment properties have committed tenants for three years.

Property rental income earned during the year ended 31 December 2016 was RMB58,368,000 (2015: RMB45,966,000).

39. OPERATING LEASES *(Continued)*

The Group as lessor *(Continued)*

At the end of the reporting period, the Group had contracted with tenants or residential communities for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**67,399**	44,646
Between one and five years	**126,817**	91,939
Over five years	**58,989**	236
	253,205	136,821

40. CAPITAL AND OTHER COMMITMENTS

	2016 RMB'000	2015 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**18,142**	84,556
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**21,325**	3,695
Consideration committed in respect of capital expenditure in respect of the acquisition of property, plant and equipment authorised but not yet contracted	**–**	39,575

41. RETIREMENT BENEFITS SCHEME

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of RMB48,546,000 (2015: RMB28,357,000) respectively, represented contributions from the continuing operation payable to the scheme.

42. SUBSIDIARIES

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share/ registered capital RMB'000	Equity interest attributable to the Group 2016 & 2015 %	Principal activities	Legal form 2016 & 2015
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	10,000	100	Provision of community leasing, sales and other services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	5,000	100	Provision of engineering services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	35,000	100	Provision of property management services	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan	PRC	11,000	100	Provision of property management services	Limited liability company

42. SUBSIDIARIES *(Continued)*

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Places of incorporation/ registration operation	Number of subsidiaries	
		2016	2015
Investment holding	Cayman Islands	**2**	2
	BVI	**5**	4
	Hong Kong	**3**	3
	PRC	**4**	4
Provision of property management services	PRC	**94**	69
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of engineering services	PRC	**1**	1
Provision of residents' community leasing, sales and other services	PRC	**8**	5
		119	90

42. SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

The table below show details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua")	PRC	**49**	49	**8,128**	3,261	**11,486**	4,776
廣西福來物業服務有限責任公司 Guangxi Fulai	PRC	**20**	20	**655**	(141)	**4,226**	3,571
Individually immaterial subsidiaries with non-controlling interests				**19,443**	11,097	**57,838**	32,994
Total				**28,226**	14,217	**73,550**	41,341

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represented amounts before intergroup eliminations.

42. SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Shenzhen Ancaihua

	2016 RMB'000	2015 RMB'000
Current assets	**42,033**	21,610
Non-current assets	**8,773**	7,202
Current liabilities	**(25,736)**	(17,243)
Non-current liabilities	**(1,629)**	(1,823)
Equity attributable to owners of the Company	**11,955**	4,970
Non-controlling interests	**11,486**	4,776

	2016 RMB'000	2015 RMB'000
Revenue	**32,409**	9,752
Expenses	**(15,822)**	(3,096)
Profit for the year	**16,587**	6,656
Profit attributable to owners of the Company	**8,459**	3,395
Profit attributable to the non-controlling interests	**8,128**	3,261
Dividends paid to a non-controlling shareholder	**(1,418)**	–
Net cash inflow from operating activities	**11,965**	7,197
Net cash outflow from investing activities	**(496)**	(138)
Net cash outflow from financing activities	**(3,002)**	(1,669)
Net cash inflow	**8,467**	5,390

42. SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Guangxi Fulai

	2016 RMB'000	2015 RMB'000
Current assets	**46,188**	34,912
Non-current assets	**16,269**	18,112
Current liabilities	**(37,374)**	(30,750)
Non-current liabilities	**(3,956)**	(4,421)
Equity attributable to owners of the Company	**16,901**	14,282
Non-controlling interests	**4,226**	3,571

	2016 RMB'000	2015 RMB'000
Revenue	**61,771**	27,181
Expenses	**(58,497)**	(27,886)
Profit (loss) for the year	**3,274**	(705)
Profit (loss) attributable to owners of the Company	**2,619**	(564)
Profit (loss) attributable to the non-controlling interests	**655**	(141)
Net cash (outflow) inflow from operating activities	**(794)**	4,609
Net cash inflow from investing activities	**14**	11
Net cash (outflow) inflow	**(780)**	4,620

43. RELATED PARTY DISCLOSURES

(a) Related parties transactions

Apart from the related party transactions disclosed elsewhere in these consolidated financial statements, the Group had following significant transactions with related parties:

	2016 RMB'000	2015 RMB'000
Engineering services income		
Fellow subsidiaries	**21,890**	15,517
An associate	**197**	517
Pre-sales services income		
Fellow subsidiaries	**5,264**	13,403
Consultancy services income		
A related party, a joint venture of Fantasia Holdings	**14,453**	–
Online promotion services income		
A fellow subsidiary	**25,041**	–
Energy-saving services fees		
An associate	**41**	–
An entity controlled by Mr. Pan Jun, a director of the Company	**552**	–
Leasing information system software income		
An associate	**132**	50
An entity controlled by Mr. Pan Jun, a director of the Company	**2,997**	2,960
Other services income included in community leasing, sales and other services segment		
An associate	**41**	–
Interest expenses		
A non-controlling shareholder of a subsidiary	**109**	133
A fellow subsidiary	**702**	–
Interest income		
Mr. Tang Xuebin, a director of the Company	**12**	–

43. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

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

	2016 RMB'000	2015 RMB'000
Amounts due from fellow subsidiaries		
Non-trade nature	**2,513**	24,463
Trade nature	**32,037**	22,085
	34,550	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 amounts 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:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**4,935**	911
31 to 90 days	**9,246**	938
91 to 180 days	**9,838**	1,483
181 to 365 days	**1,505**	17,590
Over 1 year	**6,513**	1,163
	32,037	22,085

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

	2016 RMB'000	2015 RMB'000
91 to 180 days	**9,838**	1,483
181 to 365 days	**1,505**	17,590
Over 1 year	**6,513**	1,163
	17,856	20,236

43. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2016 RMB'000	2015 RMB'000
Amounts due from non-controlling shareholders of the subsidiaries	**82,330**	46,422
Amount due from an associate	**1,434**	1,105
Amounts due from related parties		
Non-trade nature	**848**	7,228
Trade nature	**15,320**	–
	16,168	7,228

For the trade balance due from a related party, which is a joint venture of Fantasia Holdings, one year credit term is granted from issuance of invoices. The following is an aging analysis of trade balance due from a related party presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**3,064**	–
31 to 90 days	**6,128**	–
91 to 180 days	**6,128**	–
	15,320	–

43. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2016 **RMB'000**	2015 RMB'000
Amount due from a director		
Non-current	**343**	–
Current	**60**	–
	403	–

The amount due from Mr. Tang Xuebin, a director of the Company of RMB403,000 (2015: nil) represented housing loan granted by the Group for his purchases of own properties. The balance bears interest of 5.4% per annum. Based on the terms of the housing loans agreement, the amount of RMB60,000 (2015: nil) to be repaid in one year is classified as current asset and the amount of RMB343,000 (2015: nil) to be repaid after one year is classified as non-current asset.

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

	2016 **RMB'000**	2015 RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**16,190**	4,734
Trade nature	**1,111**	–
	17,301	4,734

43. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

The trade balances due to fellow subsidiaries represented the advance from fellow subsidiaries for provision of pre-sales services and engineering services.

	2016 RMB'000	2015 RMB'000
Amounts due to fellow subsidiaries		
Non-current	**9,859**	–
Current	**7,442**	4,734
	17,301	4,734
Amounts due to non-controlling shareholders of the subsidiaries		
Non-current	**–**	816
Current	**32,886**	30,125
	32,886	30,941
Amount due to an associate	**7,564**	5,040
Amount due to a joint venture	**326**	94

During the year ended 31 December 2016, the Group borrowed RMB15,360,000 from 深圳市前海花樣年金融服務有限公司 Shenzhen Qianhai Fantasia Financial Co., Ltd. ("Shenzhen Qianhai"), a fellow subsidiary of the Group to purchase its equipments. The loans bears interest ranging from 13.2% to 16.5% per annum and matures from 15 July 2016 to 15 October 2021. The loans are guaranteed by a subsidiary of the Group, a non-controlling shareholder of the subsidiary and an independent third party. At the year ended 31 December 2016, the balance due to Shenzhen Qianhai is RMB14,183,000.

The amount due to Mr. Mu Xiaoming, a non-controlling shareholder of RMB1,055,000 as at 31 December 2015 is non-trade in nature, unsecured, bears interest of 8.9% per annum. The balance has been settled in September 2016.

Except for the above amounts due to Shenzhen Qianhai and Mr. Mu Xiaoming, the remaining non-trade amounts due to the above fellow subsidiaries, non-controlling shareholders of the subsidiaries, an associate and a joint venture are unsecured, interest-free and repayable on demand.

43. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**12,380**	8,673
Post-employment benefits	**450**	347
Share-based payments	**16,720**	16,695
	29,550	25,715

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

(d) Others

As at year end 31 December 2016, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB31,979,000 (2015: RMB50,000,000) in aggregate.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2016 RMB'000	2015 RMB'000
Non-Current Assets		
Investments in subsidiaries	**194,171**	185,762
Amounts due from subsidiaries (note)	**408,087**	496,937
	602,258	682,699
Current Assets		
Amount due from a related party	**1**	1
Amount due from fellow subsidiaries	**–**	4,000
Bank balances and cash	**11,975**	10,288
	11,976	14,289
Current Liabilities		
Other payables	**111**	781
Amounts due to subsidiaries	**12,475**	13,023
Amounts due to fellow subsidiaries	**39**	39
	12,625	13,843
Net Current (Liabilities) Assets	**(649)**	446
Total Assets Less Current Liabilities	**601,609**	683,145
Capital and Reserves		
Share capital	**79,325**	79,325
Reserves	**522,284**	603,820
Total equity	**601,609**	683,145

Note: The amounts are unsecured, interest free and expected to be realised within 5 years from the end of the reporting period, and therefore measured at amortised cost at an effective interest rate of 6.15% per annum.

45. FINANCIAL SUMMARY OF THE COMPANY

Movements in reserve

	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Share options reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2015	79,315	674,797	–	29,780	(61,658)	722,234
Loss and total comprehensive expense for the year	–	–	–	–	(57,151)	(57,151)
Issue of share upon exercise of share option	10	751	–	(97)	–	664
Dividend paid to shareholders	–	(71,033)	–	–	–	(71,033)
Recognition of equity-settled share-based payment	–	–	–	88,431	–	88,431
At 31 December 2015	79,325	604,515	–	118,114	(118,809)	683,145
Loss and total comprehensive expense for the year	–	–	–	–	(66,872)	(66,872)
Shares purchased for Share Award Scheme		–	(9,010)			(9,010)
Dividend paid to shareholders	–	(84,695)	–	–	–	(84,695)
Recognition of equity-settled share-based payment	–	–	–	79,041	–	79,041
At 31 December 2016	**79,325**	**519,820**	**(9,010)**	**197,155**	**(185,681)**	**601,609**

In The People's Republic Of China Headquarters
Add: 12/F, Colourlife Building, Meilong Road, Liuxian Avenue, Shenzhen Guangdong Province China
Post Code: 518100 Fax: 86-755-3393 0881
Tel: 4008-893-893 http://www.colourlife.gw.com