彩生活

2017 ANNUAL REPORT

SERVICE TO YOUR FAMILY

Stock code: 1778

Colour Life Services Group Co., Limited

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 PEOPLE'S REPUBLIC OF CHINA ("THE PRC")

Room 1203–09
Qixing Commercial Plaza B
Meilong Avenue
Long Hua 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

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

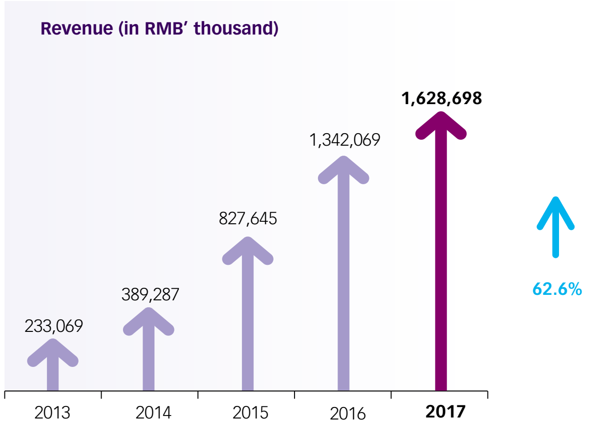
HONG KONG BRANCH SHARE REGISTRAR

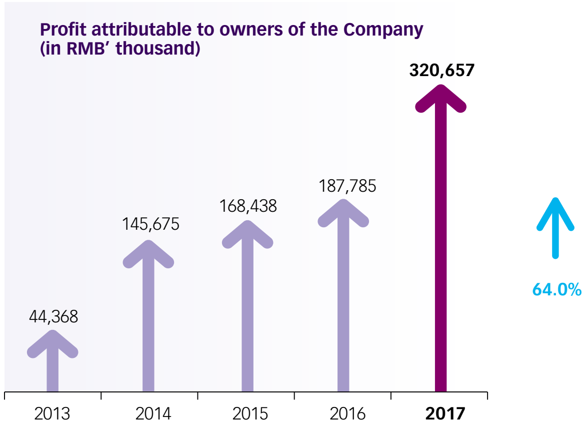
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

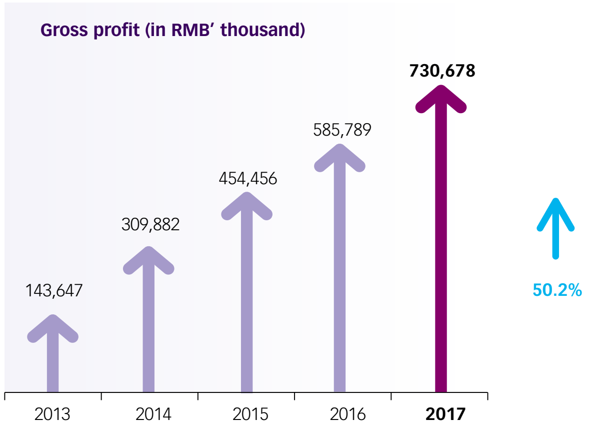
PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

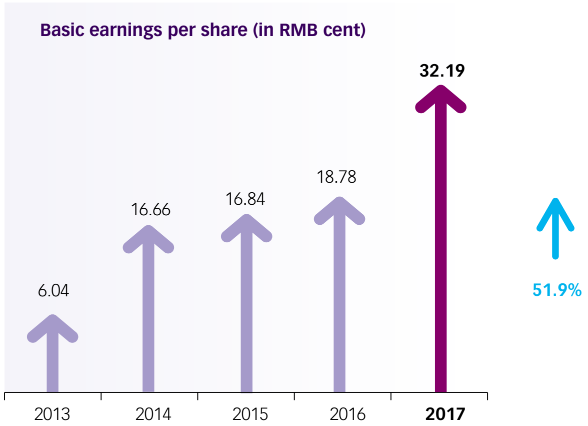
Bank of China Limited
Industrial and Commercial Bank of China Limited

FINANCIAL **HIGHLIGHTS**









	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	389,287	827,645	1,342,069	**1,628,698**
Gross profit	309,882	454,456	585,789	**730,678**
Profit attributable to owners of the Company	145,675	168,438	187,785	**320,657**
Basic earnings per share *(RMB cents)*	16.66	16.84	18.78	**32.19**
Total assets	1,599,731	2,719,156	4,022,608	**4,660,650**
Total liabilities	512,467	1,418,424	2,490,136	**2,833,642**
Bank balances and cash	687,031	419,478	754,837	**856,680**

HONORS
AND AWARDS

1. In June 2017, Colour Life Services Group Co., Limited (the “Company”, with its subsidiaries, hereafter referred to as the “Group”) was honoured as the “2017 China Leading Property Management Companies in terms of Customer Satisfaction” by China Index Academy.

2. In June 2017, the Group was honoured as the “2017 China Top 10 Property Management Companies in terms of Comprehensive Strength” by China Index Academy.

3. In June 2017, the Group was honoured as the “2017 China Top 10 Property Management Companies in terms of Growth Potential” by China Index Academy.

4. In June 2017, the Group was honoured as the “2017 China Specialized Property Service Company — Intelligent Community” by China Index Academy.

5. In June 2017, the Group was honoured as the “2009–2017 (9 Consecutive Years) Top 100 Property Management Companies of China” by China Index Academy.

6. In June 2017, the Group was honoured as the “2017 China Top 10 Property Management Companies in terms of Business Size” by China Index Academy.

HONORS AND AWARDS

7. In June 2017, the Group was accepted as the member of China Index Academy and China Real Estate Big Data Alliance.

8. In June 2017, the Group was honoured as the "2016 World Largest Community Service Platform" by China Index Academy.

9. In August 2017, the Group, with the outstanding social responsibility and the leading community development strategy, was awarded the "Social Responsibility Special Award" by guandian.cn (觀點地產).

10. In September 2017, the Group was honoured as the "2017 China Property Management Companies with Leading Brand in Market-oriented Operation" by China Index Academy.

HONORS AND AWARDS

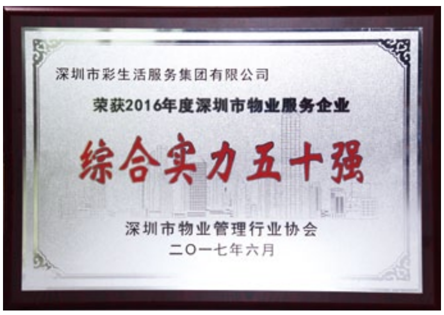
11. In June 2017, Shenzhen Colour Life Services Group Company Limited, a wholly-owned subsidiary of the Group, was honoured as the "2016 Shenzhen Top 50 Property Management Companies in terms of Comprehensive Strength" by Shenzhen Property Management Association.

12. In June 2017, Shenzhen Colour Life Services Group Company Limited, a wholly-owned subsidiary of the Group, was honoured as the "Top 30 Shenzhen Index (Sampling Survey)" in the "2016 Owner Satisfaction in Property Management" by Shenzhen Property Management Association.

13. In October 2017, Shenzhen Colour Life Services Group Company Limited, a wholly-owned subsidiary of the Group, was awarded the "Innovative Demonstration Award" and "Outstanding Organisation Award" by China Property Management Institute.

14. In January 2018, the Group was awarded "Case Award" and "Innovation Award" at the First China Excellent IR Management Award organised by Road Show China (路演中).

15. In January 2018, the Group was awarded two highest awards, namely "Most Valuable Company in Consumer and Service Sector" and "The Best Listed Company for Investor Relations Management" in the 2017 Hong Kong Stocks Award organised by Zhitongcaijing.



2017 MILESTONE OF BUSINESS DEVELOPMENT

In January 2017, the Group entered into strategic cooperation in terms of platform output with Jiangsu Zhongzhu Property Service Development Limited;

In February 2017, the Group officially signed a strategic cooperation agreement with China Real Estate Development Union Group (中房聯合集團);

In April 2017, the Group entered into strategic cooperation in terms of platform output with Changsha Mission Hills Property Services Limited (長沙觀瀾湖物業服務有限公司);

In April 2017, the Group entered into strategic cooperation in terms of platform output with Lanzhou Chengguan Property Service Group Co., Limited;

In April 2017, the Group, together with Ronghua Holding Enterprise Group (榮華控股企業集團), held a strategic cooperation conference of "Launching Colour Life Property Model in Xi'an";

In April 2017, the Group entered into a strategic cooperation with Gui Bo International Group (貴博國際集團);

In May 2017, promotion seminar for "Colour Life online platform in the chain of community-based ecosystem" (彩生活線上平台的社區生態鏈) and Colour Life Property Model (彩生活住宅模式) was held in Fuzhou;

In June 2017, the Group entered into a platform strategic cooperation with Shandong Nanya Property Group Limited (山東南亞物業集團有限公司);

In June 2017, the Group was engaged as a service provider of "China — Malaysia Industrial Park" in Qinzhou;

In August 2017, the Group was awarded the "Social Responsibility Special Award" in China Real Estate Fashion Awards (中國地產風尚大獎) organised by guandian.cn (觀點地產) during the 2017 Boao Real Estate Forum (2017年博鰲房地產論壇);

In September 2017, the Group entered into strategic cooperation in terms of platform output with Weinan Xinzhou Property Management Company Limited (渭南新洲物業管理有限公司);

In October 2017, the Group officially expanded its presence to Qingdao and Shandong;

In October 2017, the Group entered into a strategic cooperation with Rainbow Department Store Company Limited in relation to the new pattern of "Community + Unstaffed Convenience Store";

In November 2017, the Group entered into a strategic cooperation with Shenzhen OKliang Network Development Company Limited (深圳市良食網科技開發有限公司) in relation to the community-based home delivery of fresh food;

In November 2017, the Group entered into a strategic cooperation with Xinchao Media Group (新潮傳媒集團) and Guangzhou Guangri Elevator Industry Co., Ltd (廣州廣日電梯工業有限公司);

In November 2017, the Group entered into a strategic cooperation with Talent Capital in relation to the establishment of "Internet + Community" service platform backed by "Colour Talent Green Life Buyout Fund" (彩賦綠色生活產業併購私募投資基金);

In December 2017, the Group entered into a strategic cooperation with Fang Zhan Gui Group (房掌櫃集團) in relation to the cooperation on development of second hand housing and long stay apartment market.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE AND STANDARD

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited. This report covers the Group's operation for the fiscal year ended 31 December 2017 and discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance.

The Board has overall responsibility for the Group's ESG strategy and report and has determined to integrate the perspectives of environmental and social responsibility into the Group's operation and management activities. The Board has reviewed and approved this ESG report.

STAKEHOLDERS ENGAGEMENT

The Group endeavours to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, contractors, customers and the wider groups. The Group continues to interact with stakeholders on ongoing basis in order to understand their views and collect their feedback. The Group's communication channels with stakeholders include company website, annual general meeting, staff meetings, contractor meetings, direct engagement with our customers, etc.

A. ENVIRONMENT

In 2017, the Group insisted on implementing Green Office Programme (the "Programme") to achieve the goal of reducing the energy consumption in daily office operation and enhancing the efficiency of resource use. The specific plan and implementation measures are as follows:

— Widespread adoption of hi-tech office equipment such as multi-function photocopiers (with printing, scanning and fax functions).

— Encourage employees to take the efficient and environmental-friendly travelling method such as public transportation and new energy vehicle.

— Adopt a smart "Switch-off" approach for all idle energy-consuming equipments by installing intelligent regulators; encourage employees to switch off (or onto energy-saving mode) air-conditioners, monitors and other electrical appliances when they are in inactive status .

— Improve the lighting conditions in offices to make full use of natural light and maintain the office temperature at 25 degree to reduce excessive use of electricity energy for lighting and air-conditioning.

— Encourage double side printing and paper recycling.

— Promote paperless environment by setting up regional intranet for transmission of internal files and encouraging the use of soft and electronic copy for the file instead of hard copy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. **Emission — Measures to reduce Carbon Emission include:**

   The Group's business does not generate significant greenhouse gas emissions as the Group is primarily engaged in the provision of services with low energy-consumption level for communities and online value-added services for households, where the emissions are indirectly and principally resulting from consuming electricity at the workplace, vehicles and business travels by employees. The discharge into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

   During the year, the Group's power consumption was approximately 209,488 kWh, resulting in the carbon dioxide emission of approximately 204,837 kg and the energy consumption intensity of approximately 138.67 kWh per square meter.

   The Group establishes an OA service system covering all employees in order to promote electronic transmission of office data as well as a paperless working environment with the use of effective communication tools for instant message transmission.

   Regulatory compliance

   During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

2. **Use of Resources**

   The Group formulates practical regulations regarding reward and punishment mechanisms to encourage efficient use of resources among all employees to demonstrate the group's efforts in efficient use of resources in daily operations. Incentives and facilities in respect of the use of public transportation and new energy vehicle among employees are offered to help minimize the impact on the environmental and natural resources. The Group has not purchased any vehicles that run on petrol gas. Instead, the Group rents motors to meet its temporary needs so as to largely reduce energy consumption.

   Water consumption is a significant energy consumption of the Group. However, the Group sets up advance water-saving equipments and systems to achieve efficient recycling of resources. The Group encourages water saving by driving water-saving habits and posting green messages in the workplace to remind the employees to use water effectively.

   During the year, the Group's water consumption was 1,170 tonnes.

3. **The Environmental and Natural Resources**

   The Group's operational activities do not have significant impacts on the environment and natural resources, and the Company shall ensure compliance with all applicable environment related laws and regulations.

   The environmental protection measures the Group has adopted include conducting environmental assessments on service projects, setting up standard for environmental assessment, requiring the Group's service suppliers to operate in compliance with the country's environmental requirements in the aspects of gardening, cleaning, security and maintenance, and requiring them to comply with the relevant laws and regulations on environmental protection and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL ASPECT

1. 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 standards and there was no material non-compliance event in 2017.

2. 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 accidents for frontline staffs still exist. The Group therefore places great importance on the issue of health and safety.

1. The Group has particularly established a staff relations department under the human resource center and a centralized quality-control center under the operation center. The staff relations department is responsible for the centralized supervision over all regional divisions in respect of providing full social insurance, provident fund and accident insurance for employees, so as to achieve concentrated monitoring over the staff safety conditions of the divisions across the nation. The centralized quality-control center organises regular fire drills and commences safety inspection in communities, as well as imbues a safety mindset and enhances emergency response and self-rescue capacity among employees. Both of the departments are 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 departments 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 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 maintaining a better work safety protection and environment for employees.

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 standards and there was no material non-compliance event in 2017.

3. Development and Training

Talent is of top priority for corporate development. In 2017, the Group continued to allocate resource on training to implement talent nurturing for all positions. The Group placed emphasis on the business training for managerial staff ranging from existing officers to department managers. Professional trainings covered all positions of basic property services while occupational training were provided to personnel ranging from newly recruited staff to management members. The Group formulated comprehensive training systems and policies to promote talent nurturing programmes through centralised training, job rotation, online and offline mixed learning modules, and performance evaluations jointly implemented by the headquarter and branches across the nation. Management members were therefore equipped with enhanced comprehensive capacity in the aspects of strategic thinking, strategic analysis and efficient operation, putting the model of Colour Life in real practice.

In addition, Colour Life strived to push forward the industrial upgrading and development. We made contributions to the development of property management sector by organizing a number of innovative cross-industry exchanges and venture competitions.

4. Recruitment and Promotion

The Group devotes great efforts to the setting up of recruitment platforms and standardized recruiting processes, enhancing recruitment efficiency and providing interviewees with better experience. It succeeded in gaining sound reputation and attracting elites from various industries. With the establishment of the "Caizijiaren" (彩子家人) Plan, 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 Group has strictly complied with relevant laws and regulations and has not been involved in any forced labour or child labour, or any discrimination against ages, genders and races. There was no material non-compliance event in 2017.

The Group attaches great importance to talents with respects. Internal promotion is of higher priority for middle-to-high level positions.

5. Remuneration and Benefits

With an aim to improve the income level of relevant employees and encourage them to work harder for better pay, the Group carried out a pilot reform programme in form of piece rate payment for repetitive labour in 2017. The initial trial operation of the programme for staff of call center, customer managers, financial accountants and researchers of technology projects achieved satisfactory results and contributed to the apparent improvement in labour efficiency. Besides, the linear growth of staff headcount can be avoided with the expansion of management scale.

For the purpose of higher income of frontline staff, in 2017, the Group researched and developed an instant profit-sharing system to allow project frontline staff to obtain corresponding rewards instantly for every single time of service leading to higher work incentive and income expectation of the staff. According to the experience from the trial operation, the Group will promote the system across the nation for the benefits of the frontline staff in 2018.

In an effort to allow employees to share the fruits yielded from the Group's development, a collaborative model with minority interest projects was implemented in 2017, in which operating team members are encouraged to become shareholders. Under the model, the Group strategically sets up a more profitable commission system so as to encourage employees to gain profits by taking active initiative in their work.

6. Energy Management

In 2017, the Group achieved significant enhancement in its overall energy management. We made enormous progress in the aspects of further streamlining of communities' overall energy management, the application of new technology for energy-saving modification, and the use and restructuring of energy big-data platforms. On top of the inspiring results of the Group's overall energy saving, emission reduction, income stream expansion and cost control, the energy-saving efficiency brought by the overall energy management approach was greatly improved while the satisfaction of property owners and clients kept growing, providing the Group with financial and managerial synergies as well as channels for its rapid profit growth. The specific details are as follows:

1. Substantially expanded coverage of overall energy management for communities: With the efforts made in the previous year, the Group adjusted its operating model and optimized the overall energy management planning, accelerating the implementation of the overall energy management for the Group's projects. As at the end of 2017, the energy management works involved 1,199 projects of the Group, covering many divisions of the Group in major regions. Such energy management works won acclaims from users.

2. Application and promotion of new energy technology in energy management: In 2017, the Group continuously made use of new energy technology to strengthen the monitoring over energy saving and enhance energy-saving efficiency amid the development of the overall energy management. In addition to the subsisting consolidation of energy supply and consumption management as well as standard energy-saving modifications, the Group proactively launched new-type energy-saving projects such as energy consumption monitoring systems, energy storage stations, centralized control and management for air-conditioning, photovoltaic power generation, concentrated energy-conserving heating, charging piles for electric motors and bikes, and water reuse etc. by way of controlling shareholdings and joint ventures. Besides, the Group streamlined the energy management planning for communities, reduced energy consumption by communities and public facilities, and resolved energy shortage of communities. We succeeded in overcoming the difficulties encountered in the energy use by communities and gaining fruitful achievements on both energy saving and income growth.

3. Establishment and application of big-data platform for energy management: The Group established a big-data analysis platform for its projects through system restructuring in order to collect fundamental data such as scale of communities, occupation rate, geographical conditions, climate, domestic commodity prices, information of infrastructure and historical utility fee. The Group then processed with the correlated data to conduct comprehensive analysis on the energy consumption by communities. The Group set up label for communities based on the analysis results and adopted various energy management measures with a view to attaining energy supply and consumption balance of communities, reducing energy consumption by communities and public facilities, anticipating the trend of energy consumption by communities and formulating annual budget on public energy consumption. By setting up database regarding communities' energy consumption, the Group carried out long-term tracking and sustainable overall energy management works.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7. Community Involvement

Colour Life Painting Course

In March 2017, Fulai Regional Office (福來事業部) organized many painting classes under Charitable Colour Life Course in several communities served by it.

In March 2017, Xiangyang Jiangshan Regional Office (襄 陽 江 山 事 業 部) organized charitable elderly choir contest in Xinyuan (馨園), Jiangshan.

In April 2017, Heyuan Regional Office (河 源 事 業 部) organized Tai Chi classes under Charitable Colour Life Course for Kaixuansheng Project (凱旋城項目).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In May 2017, Nanning Regional Office (南寧事業部) organized charitable yoga courses in several communities.

Shenzhen Regional Office (深圳事業部) has invited professional calligraphy teachers to provide regular free calligraphy classes for kids in Shan Hu Ju Community (山湖居社區) twice a month since June 2017.

Harbin Regional Office (哈爾濱事業部) has provided regular free charitable dancing classes for kids by organizing surrounding colleges training resource in united communities of Dazhong Xincheng (大眾新城聯合社區) twice a month since June 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In September 2017, Baoji Regional Office (寶雞事業部) invited professional dancing teachers to provide free square dancing courses for residents in the community.

In October 2017, Yichang Kunda Regional Office (宜昌坤達事業部) provided medical outreach services mainly comprising of health consultation and physical therapy under Charitable Colour Life Course to the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8. 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, with an aim to set up platforms, ecosystem, intelligent processing and cloud-based computing, together with its suppliers. Apart from entering into strategic cooperation with major suppliers, the Group also uses other information tools such as management systems to help medium-to-small suppliers in optimizing their own capacity for supply chain management in a bid to enhance competitiveness and build up an "ecosystem" grounded in the community's collective interest.

1. Business review of 2017. In 2017, the procurement under centralized management exceeded RMB700.0 million with a steady growth compared with 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 construction, fixed assets, office and software increased compared to last year. The number of merchants on the Group's list of suppliers increased to over 400. At the current development stage, it is the Group's requirements on its supplier management to attain expanding growth and optimized inventory for better management efficiency and supplier composition. In 2017, the Group's supply chain financing initiative was officially launched and acclaimed by its supply chain partners. It is expected that such initiative will make contribution to the Group's revenue growth and the sustainable development of supply chain enterprises.

2. System establishment in 2017. In light of increasing number of suppliers and diversified business portfolio, the Group formulated and implemented a classification system based on pictures of suppliers, so as to carry out objective, comprehensive and accurate assessments and management of the full life cycle of suppliers in 2017. Besides, as for the suppliers bid inviting of the Caizhiyun APP, the Group optimized the bid management, suppliers portfolio and charging standards on the platform to facilitate a closer connection and collaboration between the platform and suppliers. As for the internal management, the Group launched new policies in respect of evaluation, management and incentive measures to encourage employees to pursue sustainable development.

3. Platform construction. The Group promoted digital and smart procurements. In line with the growing business of the Group and enhanced purchase efficiency, a new version of purchase platform, Meal Coupon Mall (飯票商城), commenced its online operation in 2017. By meeting the demand of the internal and supply-chain ecosystems, we were moving towards the goal of becoming the leader in the field 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Practice, fusion, platform and goal achievement. The Group hosted a supplier annual convention in November 2017. The convention was attended by representatives of nearly 200 suppliers for intelligent communities from different industries across the nation including construction, traditional manufacturing, ecological agriculture, service outsourcing, software service, finance and internet. In the course of transformation from "property management + internet" to "internet + property management", the Group established community ecosystem, integrated supply chain partners into communities, and developed its services in both vertical and horizontal directions.

Protection of Consumer Interests

1. Main concept and service model. The Group has strictly complied with relevant laws and regulations and industry standards of the PRC. With the brand concept of "Service to your family", we serve wholeheartedly and operate with integrity. Through integration of various community resources, we have overturned the conventional business model and have opened up a platform service model of "Internet + Property", which in turn fostered a smart community ecosystem that unifies online and offline services. We are always committed to creating more values for our customers while delivering basic but good services with an aim to create a happy community lifestyle of "less worries, less efforts and less money; but more joy, more colours and more revenue" for our customers.

2. Systematic management of satisfaction survey. It has always been our ultimate goal to work towards satisfaction of our property owners. In order to obtain an objective research data and theoretical analysis report, the Group will conduct an online satisfaction survey in 2018 to provide property owners with a convenient and fast responding online feedback platform. By collecting feedback on true and urgent needs from property owners via different channels and offering prompt resolutions, we will be able to provide community residents with high quality services.

3. Internal training. The Group has strictly complied with the Property Management Regulations (《物業管理條例》), the Property Law of the People's Republic of China (《中華人民共和國物權法》)and the Contract Law of the People's Republic of China (《中華人民共和國合同法》), and has adopted effective measures and stringent actions to prevent any infringement of the interests of customers. Through rigorous supervision mechanism, the Group ensures the interests of customers are free from infringement. At the same time, the Group has developed a scientific training system to train its employees on a regular basis about customer interest protection knowledge and to raise the operation standard. The Group also reviews its internal control system stringently to further ensure an effective protection of interests of customers.

4. Comprehensive customer service system. The Group will keep enhancing its customer service system, innovate and refine its service concept, strengthen its management of communication channels, and standardise the internal management of the call center. The Group will improve its APP online complaint function on the original basis and provide stable and quality services to ensure the security of data. The Group will also establish a carefree, convenient and transparent communication channel for customers, as well as a communication platform which is able to record, monitor and trace messages.

5. Operation of the remote surveillance project. A remote control center has been established at the Group's headquarter to conduct selective examination on management service status of communities on a daily basis. CCTV system allowed real-time supervision on service status, staff status and device status of the selected communities, and online remote guidance and trainings will be given to unqualified communities according to relevant regulations. Meanwhile, all regional divisions adhere to the weekly 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.

6. Standardised management of the call center. The call center serves as a window on understanding the needs of property owners and addressing their complaints and advices. In order to make sure the normativity and accessibility of property owners' communication channels, the Group will continue to enhance the operation level and communication efficiency of the call center. Through imposing assessments based on supervision and examination on competency of attendants, as well as continuously improving the internal management mechanism, the Group will be able to supervise the improvement of general service standard of the call center and the formation of a communication platform under standardised and process-oriented management.

7. Quality enhancement standards and control measures. The Group particularly adopts the following control measures in respect of its services:

    a. To carry out both internal and external examinations through ISO 9001:2008 Quality Management System to enable the continuous operation of quality management system and to keep the certificate and certification mark valid and in use. From the perspective of the implementation of the ISO quality management system by the Group, the documentation of the management system is in good state, which succeeds in achieving objectives set by the Group and attaining effective operation by strictly following existing policies. Such policies are in line with the Group's efforts, which is reflected by the appropriate and reasonable allocations of equipment and resources within the organization; delegation of duties that meet the actual situation and anticipated development of the Group; reasonable and effective organization structure and resource allocation as well as qualified staff who meet the relevant requirements; and the smooth and effective operation of the quality management system established by the Group.

    b. To roll out regular quality enhancement activities quarterly while enhancing basic service quality comprehensively; rationalizing all safety and prevention measures; and organising appropriate activities contents in accordance to location conditions to build a safe and civilized community. Through such continuous activities, property owners' satisfaction rate increased gradually.

    c. Staff from divisions under different departments are designated to conduct monthly quality control inspection against project communities by adopting mutual inspections of projects to identify and rectify problems, eliminate items and carry out closed-loop control on a timely basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Group, which are supervised and implemented by a specialised examination department. Such examination department is directly under the leadership of the Board to conduct regular or irregular audits towards special projects of the Group and its subsidiaries for the purpose of maintaining an impartial, open and transparent environment for business operations and the interests of the shareholders 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. The Group's relevant unit would implement reasonable review or audit according to the risks that might arise upon confirmation of such reported issues after investigation, and deal with such complaint and reported issues 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, so as to ensure the sustainable improvement and enhancement of the Group.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is a great honour for me to have in-depth communication with investors and analysts every year via Colour Life's annual report for two purposes, firstly, summing up the achievements we made and challenges we faced over the last year and, secondly, sharing how Colour Life actively embraced the current development trend and kicked off a new journey.

First of all, let's review what Colour Life had achieved in 2017. As at 31 December 2017, the total service area of Colour Life' platform was 900.2 million sq. m., which included 436.0 million sq. m. for contracted area and 464.2 million sq. m. for cooperation area, further consolidating its leading position in the industry. In 2017 the platform building of Caizhiyun APP showed impressive results with the transaction turnover amounts breaking the threshold of RMB 7,614.0 million. Through the all-round expansion, off-line and on-line, the revenue and net profit of Colour Life increased by 21.4% to RMB1,628.7 million and by 62.3% to RMB350.6 million respectively for 2017 and contribution from value-added services made up 42.9% of its segment profit, evidencing the synchronization of growth and structure revamp.

ENCOURAGING RESULTS IN PLATFORM BUILDING

From managing properties to serving people, Colour Life, with its immense courage and vigor, strives to go beyond the boundaries of conventional property management, coming up with the slogan "delivering community services to your family". Since listing, Colour Life has regarded the establishment of a community ecosystem as its strategic goal, further allying house-call service providers in the industry. After the exploration and progress over the past three years, Colour Life has been optimizing and expanding its ecosystem. During the reporting period, there were over 30 corporations operating within the ecosystem. E-Energy, E-Parking, E-Leasing and E-Wealth management, collectively known as the "cash cow" businesses, continued to maintain higher yields in terms of revenue and profit growth amid the rapid growth in communities being served. Such new businesses as E-Repair, E-Lift and E-Advertisement (微享空間) have rapidly grown to become a leader in their respective segments. For instance, as at 31 December 2017, there were over 0.1 million elevators operating on the E-Lift platform, of which only 30% were in communities managed by Colour Life. E-Advertisement (微享空間) received a strategic investment of RMB5.0 million from XinChao Media (新潮傳媒), a leading digital media enterprise, evidencing the competitive strength and market recognition of the corporations operating within the ecosystem of Colour Life.

Meanwhile, based in Shanghai Colour Life Time Plaza, Colour Life set up its ecosystem in the eastern China, which has become the second incubator of community service ecosystem after Southern Colour Life Ecosystem. In less than a year, there has sprung up in the eastern China ecosystem nearly 20 corporations engaged in various community services. During the reporting period, Colour Life has also introduced a number of partners with strengths in intelligent door locks, fresh foodstuff and community amenities, enriching the products and services provided within the ecosystem.

CHAIRMAN'S STATEMENT

No quality ecosystem can be sustained without a vast expanse of soil which is the essential foundation for the growth of the ecosystem. As regards the ecosystem of Colour Life, "soil" is the community and the residents within. Owing to its in-depth understanding of the importance of a community, Colour Life has since 2017 vigorously implemented the strategy of platform output in addition to the expansion of contracted area. As at 31 December 2017, the total service area of Colour Life's platform was 900.2 million sq. m., which included 436.0 million sq. m. for contracted area and 464.2 million sq. m. for cooperation area. A 90-100 sq.m. flat is more than a lifeless space, rather it is a cozy accommodation for a family of 3-4 members. Millions of households have become the users of Colour Life which has been considering how to link up more than 9.0 million households via customized and personalized services. Thankfully, we did make certain achievement in our operations in 2017. Firstly, the number of registered users of our platform experienced rapid growth, reaching 10,340,000 as at 31 December 2017 or a year-on-year growth of 241.7%, while the number of active users reached 3,494,000, representing a year-on-year growth of 101.2%. Active ratio was 33.8%. Secondly, GMV contribution from the user spending for the services and product provided on the platform increased by 227.9% to RMB7,614.0 million. Even more encouraging, the success in platform building has translated into return for shareholders by way of fast-growing profit. Revenue contribution from value-added services for 2017 reached RMB276.8 million, contributing 42.9% of segment profit.

EXPLORATION OF A DEVELOPMENT PATH AMID CHALLENGES

In 2017 a number of industry peers managed to seek a listing status and the deepening integration of capital has given rise to the frequent occurrence of mergers and acquisitions. The community services sector has been accelerating into the fast lane of integration with the top 100 enterprises increasingly dominating the market and asset valuation surging accordingly, in turn affecting the expansion rate of Colour Life. At the same time, Colour Life has been confronting a number of issues, including how to further enhance the efficiency and quality of basic property services, how to create an offline scenario to induce transactions on the online platform. To address the above issues, Colour Life proposed a core task and three key missions for 2018.

A Core Task — order-orientation of basic property management services. The development focus of Colour Life is basic property management services through which Colour Life effects multi-faceted connection with residents. Therefore, increasing customer satisfaction with its basic property management services is the subject that Colour Life has been mulling over. All along, basic property management services has been facing such challenges as rising labour costs, unclear division of responsibilities, undefined mechanism for incentive and punishment, inattentive services and uncontrollability. Through substitution of machinery for conventional labour force, standardized services and centralized management, Colour Life has mitigated the problem to some extent. Here comes the question: is there any room for further improvement? The answer is affirmative. Proceeding with such basic property services as repair, maintenance, parking, cleaning, security, greening, payment and energy management, Colour Life is reorganizing each of its basic property management services into different orders and formulating a real-time settlement mechanism. Each order will specify the information as to servicing personnel, supervising personnel, servicing time and the required operation, which will assist Colour Life to precisely identify the responsible persons and keep track of the completion of each service. Standardized assessment together with real-time settlement will motivate the staff to provide services of higher quality.

CHAIRMAN'S STATEMENT

For example, it is the common practice of conventional property management to meet repair services demand by personnel in situ who are remunerated with fixed monthly wages. However, given the unpredictability and contingency of repair services, it is hard to plan and anticipate the workload of the service personnel beforehand. Thus, fixed wages are not sufficient enough to arouse diligence from the staff and lack incentive for outstanding repair personnel. Colour Life has customized its community services by way of E-Repair. Repair order will be regarded as accomplished only after the repair personnel have promptly responded to the service call, provided on-site repair services as well as quality assurance and uploaded the relevant photograph to headquarters. E-Repair has succeeded in raising the rate of serviceable equipment by 10% without changing the Group's repair expenses per unit area. Colour Life has been revolutionizing the order-orientation of basic property management services covering those E-series companies engaged in E-Parking, E-Energy, E-Security, E-Cleaning, E-Repair, E-Maintenance, E-Lift, E-Greening and E-Payment.

Apart from enhancing the quality of basic property services, Colour Life also has a high regard for the expansion of platform, enrichment of ecosystem and the establishment of service scenarios. As such, there are also three key missions for Colour Life to fulfill in 2018.

1. Platform Output. The number of residents served by Caizhiyun determines the scale of the platform and also the size of the ecosystem. Therefore, Colour Life will vigorously implement the strategy of platform output in the long run, expanding the service area of the platform as far as possible. Leveraging on its sophisticated management experience and rich resources, Colour Life has captured a huge market for platform output. As at 31 December 2017, the Group has forged cooperation relations with 50 property management companies with a cooperation area reaching 464.2 million sq. m..

2. Ecosystem Perfection. Developing value-added services have become a common goal across the community service industry but the path leading to it may vary with the players. Colour Life has cooperated with third party providers of professional house-call services, by way of minority equity participation, to build an ecosystem for house-call services. Looking ahead in 2018, new products will keep springing up in the ecosystem and penetration rate of the existing products will also increase, further pushing forward the development of value-added services and boosting the expansion of the cooperation area of the platform.

3. Creation of "Colour Life Property" sales model and "Colour Wealth Life" value-added plan products. Consumption depends on scenarios while "Colour Life Property" and "Colour Wealth Life" will serve as the leverage to create consumption scenarios for Colour Life. Colour Life's formulation of the "Colour Life Property" model is intended to assist developers in their de-inventory process and return "meal coupons" to homebuyers for spending on the Caizhiyun platform. Colour Life will further expand the above model in 2018 by developing the "Coulour Life Parking Lots" products. Similarly, "Coulour Life Parking Lots" will offer "meal coupons" of certain amounts to the purchasers of parking spaces, and, more importantly, assist the developers in the sale of inventory assets, namely parking spaces. Through "Colour Life Property" and "Colour Life Parking Lots", Colour Life has established good relations with developers and accumulated a larger quantity of "meal coupons", promoting active trading on the Caizhiyun platform. Besides, "Colour Wealth Life" is a treasury product that allows the homeowners to enjoy discount on property management fee. Apart from the homeowners who are also "Colour Wealth Life" purchasers, those homeowners who have purchased products or services through Caizhiyun APP will also enjoy discount on property management fee in 2018. This will significantly increase the user loyalty and popularity of Caizhiyun APP.

The core task is the foundation of Colour Life while the three key missions are interconnected and have the effect of mutual promotion, ensuring the safe navigation of Colour Life.

CHAIRMAN'S STATEMENT

MUTUAL PROSPERITY THROUGH INTEGRATION OF MULTI-BRAND BASIC PROPERTY SERVICES IN 2018

Two years ago, Colour Life acquired the entire equity interest of Shenzhen Kaiyuan International Property Management Co., Ltd. (hereinafter referred to as "Kaiyuan International"), tapping into the sector of high-end property management. In August 2016, Colour Life and its parent company Fantasia Holdings Group Co., Limited ("Fantasia", together with its subsidiaries, the "Fantasia Group") published a joint announcement in relation to the acquisition of Wanda Property Management Co., Ltd. which would be provided with consultancy services by Kaiyuan International and integrated into the Group in due course.

Fortunately, the integration process of Wanxiangmei Property Management Co., Ltd. (formerly known as Wanda Property Management Co., Ltd.) (hereinafter referred to as "Wanxiangmei") is much faster than as expected. For the 10 months ended 31 October 2017, Wanxiangmei recorded an audited revenue of approximately RMB1,236.0 million, a gross profit of approximately RMB412.2 million and net profit of approximately RMB235.0 million respectively. Gross profit margin of Wanxiangmei was only 21.4% for 2016 and substantially increased to approximately 33.4% for the first ten months of 2017. Meanwhile, the prepayment of property management fees received by Wanxiangmei for the period from January to October 2017 substantially increased by 51.4% to RMB318.8 million, indicating the relatively high satisfaction rate of homeowners towards the revamped community of Colour Life. Therefore, on 14 November 2017, Colour Life announced its acquisition of Wanxiangmei at a consideration of RMB2,013.0 million. Resolution approving this acquisition was unanimously passed on 28 February 2018 and the related result data will be reflected in 2018 Interim Report.

This represents an important milestone of Colour Life. Possessing the renowned property brand name of "Wanda Property Management" and a wealth of high-end community resources in the 1-2 tier cities across China, Wanxiangmei will help optimize the projects layout of Colour Life. Moreover, Colour Life will fully leverage on its three major brands, namely "Colour Life", "Kaiyuan International" and "Wanda" to undertake mid-market, mid to up-market and up-market projects. In future, Colour Life will apply its highly-efficient basic property service model and the innovative ecosystem value-added services to the high-end properties of Wanxiangmei, thereby materializing a better combination of efficiency, quality, innovation and effectiveness.

EYEING THE LONG-TERM VALUE

Colour Life always conducts its business in a prudent manner and has received both applause and challenges in the course of launching value-added services, building a community service ecosystem or establishing platform. However, we believe that "long-term value" is our guiding light. In 2018, we will seize the opportunities and take on the challenges lying ahead with a more positive approach, creating more long-term value for customers and shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading community service platform operator in the PRC. In 2017, the Group's platform service continued to keep its fast-growing momentum in coverage areas. It was accredited as the "World's Largest Community Service Platform" by the China Index Academy in June 2017. The Group focused on setting up offline and online service platform via the internet and effectively linking residents of the community with different commodities and service providers, so as to provide the best residential service for the residents of the community.

The Group has three main business segments:

Property management services, which primarily include: (i) provision of services to residential communities under commission basis; (ii) provision of services to residential communities under lump sum basis; (iii) provision of pre-sale services to property developers; and (iv) provision of consultancy services to regional property management companies;

Community leasing, sales and other value-added services (also referred to as value-added services), which primarily include: (i) provision of common area rental assistance services; (ii) provision of online promotion services and leasing information system software; (iii) provision of residential and retail units rental and sales assistance; and (iv) provision of office sublet and other value-added services;

Engineering services, which primarily include: (i) provision of equipment installation services to property developers in accordance with their requirements; (ii) provision of repair and maintenance services to the communities it manages, provides consultancy services to and cooperates with; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) provision of energy-saving services through the construction implementation, equipment installation and equipment leasing.

Along with the diversified development of the Group's business in the recent two years, some business segments underwent name changes of their business divisions and a new business division was added, the specific details are as follows: (i) the division "platform usage fee" is renamed as "online promotion services and leasing information system software", mainly attributable to the change in service models and income sources of the Group's online platform; (ii) the division "office sublet and other value-added services" under the segment "community leasing, sales and other value-added services" includes the offline on-site promotion business of the division "purchase assistance" in previous years, the community energy general modification business under E-Energy, provision of car park operation and residents' car value-added services under E-Parking and the Eastern Colour Life Ecosystem Center's office sublet service; (iii) the "energy-saving services" under the segment "engineering services" is the new services added in recent years, which was primarily businesses related to the construction implementation, equipment installation and equipment leasing in the course of provision of energy-saving modification services by E-Energy for communities.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management Services

Usually, property developers are required to engage property management companies before they obtain the pre-sale permits. At this stage, property developers usually identify qualified property management companies by way of tender offer, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contract will be integrated into the Group's contracted GFA under management. Then, property developers will issue a move-in notification to purchasers after the properties are sold. Upon receipt of such notification, the purchasers will be obliged to settle property management fees. The contracted GFA under management will thus transform into the revenue-bearing GFA. The Group adhered to its strategy of rapid expansion in recent years. It started to provide the underlying technology of Caizhiyun APP with other enterprises in the property management industry at the end of 2016. Caizhiyun APP services not only the communities managed by the Group, but also those of its collaborative partners. The aggregate area of Caizhiyun platform's coverage over communities is collectively referred to as the platform service area.

As at 31 December 2017, GFA under management contracts and consultancy service arrangements of the Group reached 436.0 million sq.m. and the number of residential communities under the Group's management and consultancy service contracts reached 2,384, representing a year-on-year growth of 10.3% and 1.9%, respectively. As at 31 December 2017, the Group's revenue-bearing GFA reached 293.6 million sq.m. while the number of communities reached 1,926. Projects under the Group's management cover 222 cities across China and a foreign country, namely Singapore, realizing rapid expansion of contracted GFA. It should be emphasized that majority of the new area under the Group's management in 2017 was obtained through tender processes (on a discretionary basis), showing the core competitiveness of Colour Life in terms of brand, service quality and market expansion.

Meanwhile, the Group's "Colour Life Property (彩生活住宅)" sales model is designed to provide quality property services and facilitate faster destocking process by property developers, in turn bringing the Group with better chance of obtaining discretionary property management contracts. The sales model of "property + service" under "Colour Life Property" was well-accepted by developers and property owners. The Group has entered into strategic collaborative agreements with 41 developers successively, including regional leading developers like Anhui Goocoo Group (安徽國購集團) and Xi'an Ronghua Group (西安榮華集團). In 2017, Colour Life Property extended its presence into cities such as Xi'an, Tianjin and Wuhan with coverage in 67 cities across China, accelerating the sales of new properties by developers. At the same time, the Group's another innovative product "Colour Life Parking Lots (彩生活車位)" expedited the sales progress while boosted the inventory turnover of parking lots of developers. As at 31 December 2017, accumulated sales of "Colour Life Property" plus "Colour Life Parking Lots" amounted to 10,057 units, representing a year-on-year increase of 122.8%. The products of "Colour Life Property" and "Colour Life Parking Lots" facilitated good interactions between the Group and property developers, helping the Group to gain property service resources. On the other hand, it facilitated the accumulation of a large amount of "meal coupons" returned by developers to purchasers on Caizhiyun platform. The bonding between products and services resulted in a strong purchasing power formed by meal coupons on the platform, which attracted more quality providers and business starters to join the platform and in turn drove positive circulation in the ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

The transformation of the Group's business structure became more secure with supporting business and financial data. In 2017, contribution of value-added services to the Group's segment profit further rose to 42.9%, representing a year-on-year growth of 12.7 percentage points. This stems from the richer portfolios of product companies in the ecosystem as well as better recognition of value-added services by property owners. Under the encouraging development trend of value-added services, the Group formulated platform output strategy in a timely manner. Through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. In 2017, the Group successively established cooperation with 50 property management companies including Lanzhou Chengguan Property Service Group Limited (蘭州城關物業服務集團有限公司), Jiangsu Zhongzhu Property Service Development Limited (江蘇中住物業服務開發有限公司) and Hubei Yunfan Property Service Limited (湖北雲帆物業服務有限公司). As at 31 December 2017, service area of Colour Life's platform reached 900.2 million sq.m., including 404.3 million sq.m. under the Group's management, 31.7 million sq.m. under the Group's consultancy service, 214.2 million sq.m. under cooperation with the Group and 250.0 million sq.m. under the Group's alliance agreement. The Group's leading advantages is bearing more significance.

Furthermore, at the extraordinary general meeting held on 28 February 2018, the proposed resolutions about the acquisition of Wanxiangmei Property Management Co., Ltd. (WXM) were duly passed by the Independent Shareholders. Therefore, WXM will become a subsidiary wholly owned by the Group in 2018.

WXM provided property management services to over 132 communities and the GFA of these communities reached over 40.0 million sq.m. For the ten months ended October 31 2017, WXM recorded a net profit of RMB235.0 million, representing an increase of around 15 times from the corresponding period in 2016. After consolidating WXM, the Group's financial data will have more growth potential and generate more synergy by bringing the Group's advanced management model and various value-added services to communities under WXM's management.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical Presence

As at 31 December 2017, the locations of residential communities where the Group managed, provided consultancy services and cooperated with 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. Jining
77. Lu'an
78. Qingdao
79. Shaoxing
80. Taicang
81. Wenzhou
82. Haining
83. Jinan
84. Suqian
85. Tai'an
86. Heze
87. Huaibei
88. Jinhua
89. Liaocheng
90. Taizhou
91. Taihe
92. Zaozhuang
93. Weifang
94. Dongying
95. Dezhou
96. Ningbo

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

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

Northwestern China
153. Xi'an
154. Yinchuan
155. Lanzhou
156. Hancheng
157. Xining
158. Yulin
159. Baoji
160. Ankang
161. Pingliang
162. Hanzhong
163. Weinan
164. Urumqi

Northern China
165. Beijing
166. Qinhuangdao
167. Tianjin
168. Shijiazhuang
169. Baotou
170. Tongliao
171. Wuhai
172. Taiyuan
173. Tangshan
174. Hulunbuir
175Ulanqab
176. Langfang
177. Datong
178. Baoding
179. Changzhi
180. Hohhot

Central China
181. Changsha
182. Xinxiang
183. Yiyang
184. Zhengzhou
185. Wuhan
186. Chenzhou
187. Kaifeng
188. Anyang
189. Xiangyang
190. Jingmen
191. Puyang
192. Yichang
193. Yueyang
194. Zhangjiajie
195. Zhuzhou
196. Huixian
197. Luohe
198. Xiangtan
199. Huanggang
200. Changde
201. Jingzhou
202. Loudi
203. Luoyang
204. Wugang
205. Suizhou
206. Nanyang
207. Xingyang
208. Shangqiu
209. Enshi
210. Jiaozuo
211. Xiangfan
212. Hengyang
213. Jiyuan
214. Qianjiang
215. Zhoukou
216. Zhumadian
217. Xiaogan
218. Shaoyang
219. Pingdingshan
220. Shiyan
221. Huaihua

Non-Mainland China

222. Hong Kong

Overseas

223. Singapore

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a sustained growth in total contracted GFA in 2017. The following table sets out the total contracted GFA and the number of residential communities where the Group managed, provided consultancy services and entered into cooperation in respect of platform service in different regions across China and overseas country as at the dates indicated below:

	As at 31 December 2017						As at 31 December 2016					
	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		Cooperated with the Group	
	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	Total Contracted GFA ('000 sq.m.)	Number
Shenzhen	9,644	130	754	18	-	-	9,745	132	753	18	–	–
Southern China (excluding Shenzhen)	75,153	508	7,621	23	44,403	288	69,657	473	7,265	29	40,635	225
Eastern China[1]	115,318	744	11,357	31	27,534	290	109,323	711	12,994	51	17,424	169
Southwestern China[2]	83,778	352	2,163	6	82,609	352	56,701	342	1,993	5	45,703	281
Northeastern China	11,358	59	3,758	17	881	5	10,284	49	4,554	25	–	–
Northwestern China[3]	14,594	68	275	2	35,313	359	19,265	92	275	2	4,202	49
Northern China[4]	17,853	79	2,585	7	1,942	19	16,880	83	4,589	25	199	1
Central China[5]	75,544	277	3,202	9	21,548	157	64,639	236	5,176	12	16,282	111
Non-Mainland China	40	16	-	-	-	-	40	16	–	–	–	–
Singapore	987	38	-	-	-	-	987	38	–	–	–	–
Total[6]	404,269	2,271	31,715	113	214,230	1,470	357,521	2,172	37,599	167	124,445	836

Notes:

(1) The Group newly entered Dongying, Dezhou and Ningbo as at 31 December 2017.

(2) The Group newly entered Yibin as at 31 December 2017.

(3) The Group newly entered Hanzhong, Weinan, Urumqi as at 31 December 2017.

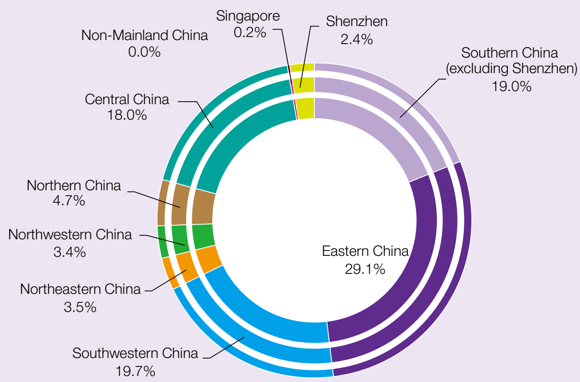
(4) The Group newly entered Baoding, Changzhi and Huhhot as at 31 December 2017.

(5) The Group newly entered Xiaogan, Shaoyang, Pingdingshan, Shiyan and Huaihua as at 31 December 2017.

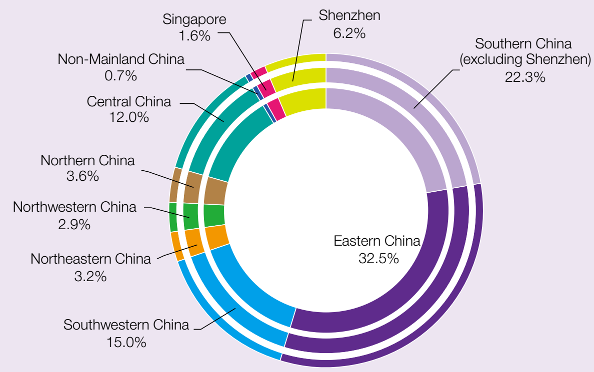
(6) As at 31 December 2017, the Group's platform service area reached 900.2 million sq.m., including the contracted GFA managed by the Group 404.3 million sq.m., the contracted GFA under the Group's consultancy service arrangement 31.7 million sq.m., the contracted GFA cooperated with the Group 214.2 million sq.m. and the GFA under alliance agreement 250.0 million sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted GFA distribution in different regions



Number of residental communities distribution in different regions



As at 31 December 2017, the Group extended its total contracted GFA coverage to 222 cities in China and 1 overseas country, namely Singapore. As at 31 December 2017, the Group was contracted to manage 2,271 residential communities with an aggregate contracted GFA of approximately 404.3 million sq.m. and entered into consultancy service contracts with 113 residential communities with an aggregate contracted GFA of approximately 31.7 million sq.m. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of total contracted GFA and the number of residential communities where the Group managed, provided consultancy services and cooperated with at the end of 2017:

	As at 31 December 2017						As at 31 December 2016					
	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		Cooperated with the Group	
	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	Total Contracted GFA ('000 sq.m.)	Number of residential communities
As at the beginning of the year	**357,521**	**2,172**	**37,599**	**167**	**124,445**	**836**	303,473	1,879	18,651	122	–	–
New engagements(1)	**51,159**	**133**	**1,027**	**3**	**-**	**-**	36,563	159	23,677	66	–	–
Acquisitions(2)	**6,827**	**54**	**-**	**-**	**-**	**-**	29,559	191	265	2	–	–
New cooperation(3)	**-**	**-**	**-**	**-**	**84,080**	**603**	–	–	–	–	124,445	836
Transfer from consultancy service to self-management(4)	**5,362**	**40**	**(5,362)**	**(40)**	**-**	**-**	–	–	–	–	–	–
Transfer from self-management to consultancy service(5)	**(454)**	**(1)**	**454**	**1**	**-**	**-**						
Transfer from self-management to cooperation (6)	**(5,705)**	**(31)**	**-**	**-**	**5,705**	**31**						
Terminations(7)	**(10,441)**	**(96)**	**(2,003)**	**(18)**	**-**	**-**	(12,074)	(57)	(4,994)	(23)	–	–
As at the end of the year	**404,269**	**2,271**	**31,715**	**113**	**214,230**	**1,470**	357,521	2,172	37,599	167	124,445	836

MANAGEMENT DISCUSSION AND ANALYSIS

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 output service, the Group gained 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) The Group ceased to renew certain property management contracts when these contracts expired. However, developers or residents committees may still want to enjoy the Group's services, then the Group can sign a consultant contract with them.

(6) The Group sold majority of interests to targeted partners, transferring self-management services to online platform output service, while keeping minority interests.

(7) 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 where the Group manages, provides consultancy services and cooperates with are predominantly constructed by independent property developers other than Fantasia Holdings Group Co., Limited ("Fantasia Holdings") and its subsidiaries (collectively, the "Fantasia Group"), the controlling shareholder of the Company. The following table sets out the breakdown of the contracted GFA and the number of properties developed by independent property developers and Fantasia Group where the Group managed, provided consultancy services and cooperated with as at the dates indicated below:

	As at 31 December 2017				As at 31 December 2016			
	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	**644,126**	**99.1%**	**3,824**	**99.2%**	513,477	98.8%	3,145	99.1%
Properties constructed by the Fantasia Group	**6,088**	**0.9%**	**30**	**0.8%**	6,088	1.2%	30	0.9%
Total	**650,214**	**100.0%**	**3,854**	**100.0%**	519,565	100.0%	3,175	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management Services Model

While the substance of property management services of the Group is the same as those of other companies in the industry, the way of organising property management services is very different. Following the in-depth implementation of smart community construction, the Group is undergoing transformation into a technology service-oriented modern service enterprise. Such transformation was primarily embodied in the fact that the Group actively acquires new technology brought on by the development of the internet and focuses on the investment in intelligent equipment. On the other hand, the Group enhances management efficiency to provide better service experience for communities. The Group has established a solid information "cloud" system at the headquarter, which strengthened the service capacity of the "terminal" and weakened the function and scope of "management", so as to organise effective community services. The Group has also classified communities managed by it into various service levels based on different charging standards and set standards for equipment modification and service packages to ensure consistency of customer experience in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of increasing management areas and securing customer satisfaction.

The Group also optimized community services with innovative use of mobile technology. By implementing the functions of E-Repair, E-Lift, E-Cleaning, E-Security and E-Gardening, the Group initially realised the order-orientation of fundamental property services and further enhanced the service efficiency of the Group. For instance, without the change of repair expenses per unit area, the equipment availability increased by 10 percentage points as a result of implementing E-Repair; with 10% reduction in cleaning expenses per unit area, customer satisfaction rate increased by 5 percentage points as a result of implementing E-Cleaning.

Meanwhile, the Group is actively building up an online platform, Caizhiyun APP, 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. It not only provides convenience to the residents of the communities but also strengthens the communications between the Group and property owners of the 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 ensure the quality of the offline community services and efficiently become aware of the services that the property owners are demanding. The Group will push forward the development of corresponding value-added services and proceed with the organic integration of both the online and offline community businesses, in turn further enhancing the Group's competitive edges.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the Group employed over 38,911 on-site personnel to provide property management services. The following table sets out the property management fee range for the residential area within the residential communities managed by the Group on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region may vary depending on various factors such as the types and locations of properties.

	As at 31 December 2017		As at 31 December 2016	
	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	**0.4–10.0**	**1.0–8.0**	0.4–10.6	1.0–6.9
Southern China (excluding Shenzhen)	**0.5–5.6**	**0.7–8.0**	0.3–4.0	0.6–6.0
Eastern China(1)	**0.4–9.4**	**0.8–6.5**	0.2–8.0	1.2–3.0
Southwestern China(2)	**0.4–6.1**	**0.3–6.3**	0.3–4.0	0.9–4.5
Northeastern China	**0.4–3.3**	**2.0–5.0**	0.4–3.7	2.0–5.0
Northwestern China(3)	**0.5–3.9**	**1.1–5.0**	0.6–1.8	1.1–3.0
Northern China(4)	**0.6–4.5**	**1.0–7.9**	0.6–2.5	1.2–5.2
Central China(5)	**0.6–2.7**	**0.9–4.8**	0.4–4.2	0.4–2.5
Singapore	**1.2**	**–**	1.2	–
Hong Kong	**4.2–20.9**	**–**	4.4–22.0	–

Notes:

(1) The Group newly entered Dongying, Dezhou and Ningbo as at 31 December 2017.

(2) The Group newly entered Yibin as at 31 December 2017.

(3) The Group newly entered Hanzhong, Weinan, Urumqi as at 31 December 2017.

(4) The Group newly entered Baoding, Changzhi and Huhhot as at 31 December 2017.

(5) The Group newly entered Xiaogan, Shaoyang, Pingdingshan, Shiyan and Huaihua as at 31 December 2017.

Scope of Services for Property Management Services

Property management services, which primarily include: (i) provision of services to residential communities under commission basis; (ii) provision of services to residential communities under lump sum basis; (iii) provision of pre-sale services to property developers; and (iv) provision of consultancy services to regional property management companies.

MANAGEMENT DISCUSSION AND ANALYSIS

Property management services fee under commission basis

Under commission basis, the Group essentially acts as an agent of the property owners. The Group has the right to retain an agreed percentage (generally 10%) of the property management fee payable by the property owner as the Group's revenue. The remaining property management fee will be used as the working capital for property management, so as to set off against the expenses related to the property management work. As at 31 December 2017, GFA under the management of the Group on commission basis reached 334.2 million sq.m., 221.0 million sq.m. of which has generated income for the Group. While the remaining 113.2 million sq.m. is unoccupied area which will be changed to revenue-bearing GFA in the future.

Property management services fee under lump sum basis

Under lump sum basis, the Group has the right to fully recognize the property management fee from the property owner as revenue, and settle the expenses related to property management out of the property management fee. Therefore, the relevant cost is recognized as the cost of sales and services of the Group. As at 31 December 2017, GFA under the management of the Group on lump sum basis reached 70.1 million sq.m., 55.2 million sq.m. of which has generated income for the Group. While the remaining 14.9 million sq.m. is unoccupied area which will be changed to revenue-bearing GFA in the future.

Pre-sales services

The Group may be appointed as the property management firm by the property developers in the early stage of the property development. The Group provides cleaning, security and maintenance of the pre-sale display units for the preparation of their pre-sales activity and recognizes the revenue in accordance with the number of staffs and positions deployed by the Group. Relevant staff cost incurred is the selling cost arising from provision of service.

Property management consultancy services fee

With a view of 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 value-added services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice to these regional property management companies such that they can leverage on the Group's experience and platform to improve the standard of their own in different aspects, such as property management, quality control and human resources management. In addition, the Group provides community leasing, sales and other value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

As at 31 December 2017, the Group was contracted to provide consultancy services to 113 residential communities. Area for consultancy service was 31.7 million sq.m., the majority of which are communities managed by WXM.

MANAGEMENT DISCUSSION AND ANALYSIS

Community leasing, sales and other value-added services

Adhering to its value and concept of "Service to Your Family", the Group has been focusing on the extensions of its diversified services to community property owners. The Group timely organises services and improves its service provision in response to the changing demands of community property owners at different stages. With sixteen years of experience in community management and services, the Group has established a comprehensive offline service system. The Group has employed many experienced customer managers and community stewards to provide more convenient services to property owners and had built up trust with the residents. The Group has a more comprehensive understanding on the demands of the community property owners and the creation of the community scenarios by paying frequent visits and communications with property owners through the Group's customer managers. Leveraging on the advanced understanding about the residents of the communities for whom the Group provides management, consultancy services and platform services, as well as the capacity enhancement of service offering, the online platform, which the Group has been creating, is reaching a more mature stage.

In 2017, by integrating feedback from users, Caizhiyun APP upgraded and optimised its underlying structure, interactive model and UI interface. Users could experience significant improvement in utilising basic functions such as handling property management fee, receiving service notices etc. They could also enjoy great enhancement in various product and service consumptions experience through the platform which is connected to various services and goods providers.

Besides, in 2017, the Group adhered to its existing strategy of building up an open platform and achieved fruitful results in its incubated third party service companies. Especially, the Group's competitive services and products have gained recognitions in the communities managed by cooperation partners.

Represented by E-Energy, E-Parking, E-Leasing, E-Wealth Management, etc., those services and products have enjoyed high penetration in communities and contributed greater revenues to the Group. Services and products, such as E-Lift, E-Repair and E-Advertising, have been widely accepted in the market through continuous improvement, which are under fast market expansion and in the stage of rapid growth. At the same time, in 2017, the Group introduced complementary new services and products that are suitable for household consumptions, including the introduction of a smart lock manufacturer, an education and culture organizer etc. The Group had also entered into strategic cooperation with okliang.com one of whose shareholder is a subsidiary wholly invested by COFCO, which further facilitated products and services provision on the platform.

As at 31 December 2017, the accumulated transactions turnover of the Group's online platform amounted to approximately RMB7,614.0 million, while the accumulated turnover of E-Wealth Management amounted to approximately RMB5,771.7 million, among which, the accumulated turnover of Colour Wealth Life value-added plan amounted to approximately RMB5,681.2 million. For E-Lift, 100,000 units of lifts have been in operation through the SAAS (software as a service) platform and more than 70% of them were from communities which were not managed by the Group. Such positive operating data have underlined the initial success of the Group's ecosystem. On 30 June 2017, the Group launched the Eastern Colour Life Ecosystem Center, which is the second incubation service center designated for eastern China upon the establishment of Southern Colour Life Ecosystem Center. After half year of effective operation, Eastern Colour Life Community Ecosystem has attracted over 20 suppliers, providing diversified services and products to residents living in eastern China.

MANAGEMENT DISCUSSION AND ANALYSIS

With a sophisticated "Colour Life Property" sales model, as well as the successful launch of the new "Colour Life Parking Lots (彩生活車位)" business model, the amounts of the meal coupons which was refund by developers and saved in residents' Caizhiyun accounts will continuously increase. Due to the accumulation of meal coupons, the Group can negotiate with suppliers with greater bargaining power, providing community residents with quality products and service at favourable price.

As at 31 December 2017, registered users of ecosystem main platform increased to 10,340,000, of which 3,494,000 were active users. In the future, the Group will further strengthen its ability to investigate and foster community accesses and community scenarios, facilitating the integration of its online and offline services platform.

Scope of Services for Community Leasing, Sales and Other Value-added Services

The Group's community leasing, sales and other value-added services primarily include (i) common area rental assistance; (ii) usage fees from online promotion services and leasing information system software; (iii) residential and retail units rental and sales assistance; and (iv) office sublet and other value-added services.

Common area rental assistance

Advertising spaces in a residential community, such as those on elevator walls or in common spaces, are the properties of the property developers or property owners. The Group assists them to lease out such spaces and receives 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.

Usage fees from 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 the Caizhiyun APP, the online platform run by the Group. Providers pay certain amount of commission according to their sales ordered through the Caizhiyun APP to the Group. As at 31 December 2017, the Caizhiyun APP provided services to 2,813 residential communities. Further, the Group leases system or software to projects it provides management and consultant services to in order to improve service quality and efficiency.

Residential and retail units rental and sales assistance

The Group (i) refers a property owner, who intends to lease out property, to an independent third-party property agent, who rents the unit from the property owner as the primary tenant, and then sub-leases the unit to an appropriate tenant; or (ii) refers the case to a third-party property agent, who assists the property owner to complete the sale of the property. The Group charges the property agent on every successful referral and generates revenue from authorising property agents rights to use our online leasing data platform.

Office sublet and other value-added services

Office sublet and other value-added services mainly include (i) the Eastern Colour Life Ecosystem Center's office sublet services; (ii) energy management services; (iii) parking management services; (iv) purchase assistance; and (v) other value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING SERVICES

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which 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"), Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua").

Engineering services provide a safe and comfortable environment and experience to the property owners of the communities. It also laid the foundation of hardware for accelerating the transformation of intelligent generalization and implementation of E-services in the communities which the Group serves.

In 2017, the Group continued to carry out the Internet-based transformation to the projects under its management, pushing forward the optimization and upgrade of Smart Community Model from Version 3.3 to Version 4.0. Version 4.0 focuses on the property owners satisfying multi-dimension needs for easy community life. It strengthens the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, two-dimensional code/face recognition access control, vehicle license recognition system in car park etc., so as to realise centralized management control, replacing labour with equipment, saving energy and duty, enhancing efficiency and service quality. Moreover, a community service platform is established through connecting communities to the Group's headquarter cloud system. For example, real-time picture of the operation condition in the community under the Group's management will be sent to the headquarter cloud system using remote monitoring technology. The Group's headquarter cloud system will assign correction task to on site employee for area with potential problem.

Scope of Services for Engineering Services

The Group's engineering services primarily include (i) automation and other hardware equipment installation services; (ii) community utility facilities repair and maintenance services; (iii) community automation equipment leasing services; and (iv) energy-saving services.

Installation service fees from provision of engineering services

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Services fee from provision of repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further implementation of Colour Life Smart Community Model of the Group, the Group has promoted an equipment management model in the communities it manages to reduce the occurrence of major failures of the above mentioned hardware and equipment that requires large-scale repairs through regular maintenance.

Equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to, including car park security systems, building access systems and remote surveillance cameras. These equipments were invested by Shenzhen Kaiyuan Tongji and Shenzhen Yixuan and provided for the use of each residential community through the Group's equipment leasing program.

Services fee from provision of energy-saving services

The Group provides energy-saving services to residential communities it manages or provides consultancy services to. These services include energy-saving devices installation and equipment leasing services. By installing and using cutting-edge energy saving equipment, the Group help communities to reduce energy consumption.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) community leasing, sales and other value-added services; and (iii) engineering services. For the year ended 31 December 2017, the total revenue increased by 21.4% to approximately RMB1,628.7 million from approximately RMB1,342.1 million for the year ended 31 December 2016.

The increase in revenue was primarily driven by (i) an increase in the total revenue-bearing GFA; and (ii) development of the Group's community leasing, sales and other value-added services business.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management Services

For the year ended 31 December 2017, revenue from property management services increased by 16.3% to RMB1,231.3 million from RMB1,059.1 million for the year ended 31 December 2016. Breakdown of revenue from property management services are as below:

	For the year ended 31 December		Variance	
	2017	2016		
	Amount	Amount	**Amount**	%
	RMB'000	RMB'000	RMB'000	
Property management services fees under commission basis	**164,761**	163,960	801	0.5%
Property management services fees under lump sum basis	**911,456**	758,169	153,287	20.2%
Pre-sale services fees	**85,173**	91,772	(6,599)	(7.2%)
Property management consultancy services fees	**69,895**	45,166	24,729	54.8%
Total of property management services fees	**1,231,285**	1,059,067	172,218	16.3%

Such increase was primarily attributable to:

(a) For the year ended 31 December 2017, as the Group implemented platform output strategy and decreased the acquisition activities of property management companies, revenue from property management services fees charged under commission basis remained stable and slightly increased RMB0.8 million. The revenue-bearing GFA under commission basis increased by approximately 3.0 million sq.m. or approximately 1.4%, to approximately RMB221.0 million sq.m. from approximately 218.0 million sq.m. as at the same date in 2016;

(b) An increase in revenue of approximately RMB153.3 million under lump sum basis which in turn was driven by th growing revenue-bearing GFA. As at 31 December 2017, the revenue-bearing GFA under lump sum basis increased by approximately 5.0 million sq.m. to approximately 55.2 million sq.m. from approximately 50.2 million sq.m. as at the same date in 2016;

(c) A decrease in revenue of approximately RMB6.6 million from services fees charged for rendering pre-sale related services for the year ended 31 December 2017 as compared to that charged for the year ended 31 December 2016 resulting from the completion of pre-sale services contracts;

(d) An increase in revenue of RMB24.7 million from fees charged under consultancy services contracts, which is due to the consultancy contract between Shenzhen Kaiyuan International Property Management Co.,Ltd. 深圳市開元國際物業管理有限公司 ("Kaiyuan International") and WXM entered into on 2 August 2016, leading to a service fee received under consultancy service contract during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Community Leasing, Sales and Other Value-added Services
For the year ended 31 December 2017, community leasing, sales and other value-added services income increased by 76.5% to RMB276.8 million from RMB156.9 million for the year ended 31 December 2016.

Breakdown of revenue from community leasing, sales and other value-added services are as below:

	For the year ended 31 December			
	2017	2016	**Variance**	
	Amount	Amount	**Amount**	%
	RMB'000	RMB'000	RMB'000	
Common area rental assistance	**36,094**	37,082	(988)	(2.7%)
Usage fees from online promotion services and leasing information system software	**137,208**	74,015	63,193	85.4%
Residential and retail units rental and sales assistance	**17,186**	19,696	(2,510)	(12.7%)
Office sublet and other value-added services	**86,316**	26,063	60,253	231.2%
Total of community leasing, sales and other value-added services fees	**276,804**	156,856	119,948	76.5%

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

(a) A slight decrease of approximately RMB1.0 million in community common area rental assistance commission income.

(b) An increase in usage fees from online promotion services and leasing information system software at approximately RMB63.2 million for the year ended 31 December 2017 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 85.4% to RMB137.2 million for the year ended 31 December 2017 from RMB74.0 million of that for the year ended 31 December 2016.

(c) A decrease in residential and retail units rental and sales assistance income of RMB2.5 million to RMB17.2 million for the year ended 31 December 2017 from RMB19.7 million for the year ended 31 December 2016, representing a decrease of 12.7%. The decrease was due to the business adjustment of Caizhijia.

(d) Office sublet and other value-added services for the year ended 31 December 2017 mainly consist of (i) the Eastern Colour Life Ecosystem Center's office sublet services; (ii) energy management services; (iii) parking management services; (iv) purchase assistance; and (v) other value-added services. A significant increase in office sublet and other value-added services revenue of 231.2% to RMB86.3 million for the year ended 31 December 2017 from RMB26.1 million for the year ended 31 December 2016 was driven by introduction of several new businesses of the Group during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Engineering Services

For the year ended 31 December 2017, revenue from engineering services decreased by 4.4% to RMB120.6 million from RMB126.1 million for the year ended 31 December 2016. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December		Variance	
	2017	2016		
	Amount	Amount	**Amount**	%
	RMB'000	RMB'000	RMB'000	
Installation service fees from provision of engineering services	**15,478**	36,224	(20,746)	(57.3%)
Services fees from provision of repair and maintenance services	**47,631**	47,159	472	1.0%
Equipment leasing income	**41,287**	31,275	10,012	32.0%
Services fee from provision of energy-saving services	**16,213**	11,488	4,725	41.1%
Total of engineering services fees	**120,609**	126,146	(5,537)	(4.4%)

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

(a) A decrease in revenue in equipment installation services of approximately 57.3% to approximately RMB15.5 million for the year ended 31 December 2017 from approximately RMB36.2 million for the year ended 31 December 2016, which was determined by the completion schedules.

(b) For the year ended 31 December 2017, community repair and maintenance services income slightly increased by 1.0% as compared to that for the year ended 31 December 2016.

(c) An increase of RMB10.0 million in services fees from community equipment leasing, which was in line with the Group's community equipment upgrade program.

(d) An increase of RMB4.7 million in services fees from leasing energy-saving devices and energy management platform.

Cost of Sales and Services

The Group's cost of sales and services primarily comprised 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, rental cost and others. For the year ended 31 December 2017, cost of sales and services increased by 18.7% from approximately RMB756.3 million for the year ended 31 December 2016 to approximately RMB898.0 million. The increase was primarily attributable to (i) the increase in revenue-bearing GFA under lump sum basis; (ii) costs generated from the office sublet and other value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the overall gross profit increased by 24.7% to approximately RMB730.7 million from approximately RMB585.8 million for the year ended 31 December 2016. The increase of gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin increased by approximately 1.3 percentage points to approximately 44.9% for the year ended 31 December 2017 from that of approximately 43.6% for the year ended 31 December 2016. The increase was attributable to a combination of the changes of gross profit margin in all segments.

(i) *Property Management Services*

For the year ended 31 December 2017, the gross profit margin of property management services decreased by 0.4 percentage points from approximately 35.6% for the year ended 31 December 2016 to approximately 35.2%, 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.

(ii) *Community Leasing, Sales and Other Value-added Services*

For the year ended 31 December 2017, gross profit from community leasing, sales and other value-added services segment increased by 57.5% to approximately RMB227.0 million from approximately RMB144.1 million for the year ended 31 December 2016. Gross profit margin decreased by 9.9 percentage points from 91.9% for the year ended 31 December 2016 to 82.0% for the year ended 31 December 2017. The decrease was primarily attributable to a relatively lower gross profit margin for some new businesses;

(iii) *Engineering Services*

For the year ended 31 December 2017, gross profit for engineering services increased by approximately 9.5% from approximately RMB64.4million to approximately RMB70.5million. For the year ended 31 December 2017, gross profit margin for engineering services increased by approximately 7.5 percentage points to approximately 58.5% from approximately 51.0% for the year ended 31 December 2016. The increase was primarily attributable to the significant increase in the services fee from provision of energy-saving services for the year, of which the gross profit margin was relatively higher.

Other Gains and Losses

For the year ended 31 December 2017, the Group's other gains and losses decreased by approximately 83.5% to a loss of approximately RMB5.1 million from a loss of approximately RMB30.9 million for the year ended 31 December 2016. The decrease in losses was primarily due to (i) gains of approximately RMB48.3 million from disposal of subsidiaries for the year; offset by (ii) an increase in impairment loss recognised on payments on behalf of residents under commission basis from approximately RMB17.3 million to approximately RMB32.0 million; and (iii) an increase in impairment loss recognised on trade and other receivables from approximately RMB11.7 million to approximately RMB17.8 million, which the Group believes may not be recovered based on the Group's review of the balances for the Group's services contracts.

Other Income

For the year ended 31 December 2017, other income increased by approximately 168.9% to approximately RMB52.7 million from approximately RMB19.6 million for the year ended 31 December 2016. The increase was primarily attributable to (i) an increase in interest income from approximately RMB5.7million to approximately RMB34.4million; (ii) an increase in an in unconditional government grants from RMB9.4 million to RMB11.3 million; and (iii) an increase in change in fair value of financial assets at FVTPL from approximately RMB2.8 million to approximately RMB5.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

For the year ended 31 December 2017, selling and distribution expenses increased by 94.1% to approximately RMB26.2 million from approximately RMB13.5 million for the year ended 31 December 2016, mainly due to (i) an increase of approximately RMB7.0 million in sales commissions resulting from the growth of E-Wealth Management business; (ii) promotion and marketing expenses of RMB 4.0 million resulting from the office sublet business; (iii) an increase of approximately RMB2.0 million in agency fee incurred from Colour Life Property business as compared to that for the year ended 31 December 2016.

Administrative Expenses

For the year ended 31 December 2017, the Group's administrative expenses decreased by 6.8% to approximately RMB277.2 million from RMB297.5 million for the year ended 31 December 2016. The Group continued to tighten the cost control measures. The decrease was primarily attributable to (i) a decrease of approximately RMB33.7million in share-based payment expenses from approximately RMB79.0million for year ended 31 December 2016 to approximately RMB45.3million; (ii) with the expansion of the Group's business scale which was in line with the Group's growing GFA under its management and the development of its community leasing, sales and other value-added services business, more management function personnel were retained for headquarter management function as well as other centralized controlling functions, resulting into an increase of approximately RMB13.4million in administrative expenses during the year.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2017, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB67.4 million, representing an increase of approximately 1.7% as compared to approximately RMB66.3 million for the year ended 31 December 2016. The slight increase was 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 approximately RMB90.2 million for the year ended 31 December 2017, which increased by approximately 137.4% as compared to that of RMB38.0 million for the year ended 31 December 2016, mainly due to (i) an increase of approximately RMB18.8 million in interest expenses on the issued corporate bonds; (ii) an increase of approximately RMB12.5 million in interest expenses on the issued assets backed securities; and (iii) an increase of approximately RMB19.5 million in interest expenses on bank borrowings.

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-based payment expenses charged to the statement of profit or loss for the year ended 31 December 2017 was approximately RMB45.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties decreased by approximately 49.1% to approximately RMB2.8 million for the year ended 31 December 2017 from approximately RMB5.5 million for the year ended 31 December 2016. The changes in fair value of investment properties were primarily due to the decreasing rate in the increase of market value.

Income Tax Expenses

The Group's income tax expenses increased by 29.6% to approximately RMB106.0 million for the year ended 31 December 2017 from that of approximately RMB81.8 million for the year ended 31 December 2016. The increase was primarily due to an increase of current tax for enterprise income tax by 30.3% to approximately RMB123.7 million from approximately RMB94.9 million in 2016.

Property, Plant and Equipment

As at 31 December 2017, the carrying value of property, plant and equipment of the Group decreased by approximately 6.7% to approximately RMB168.7 million from approximately RMB180.8 million as at 31 December 2016, which was mainly due to (i) disposal of buildings for the year, amounting to approximately RMB11.7 million; (ii) reduction of furniture, fixtures and equipment amounting to RMB12.6 million which was mainly caused by disposal of subsidiaries; off-set by (iii) additions in leasehold improvement amounting to RMB7.9 million; and (iv) an increase in construction-in-progress amounting to approximately RMB6.0 million, resulting from the increasing research and development expenditure by Shenzhen Colour Life Network Services Co., Ltd for the year ended 31 December 2017.

Intangible Assets

As at 31 December 2017, the carrying value of intangible assets held by the Group amounted to RMB241.0 million (31 December 2016: approximately RMB210.3 million). The increase of intangible assets was mainly attributable to an increase in the number 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 2017, the investment properties held by the Group amounted to approximately RMB70.6 million (31 December 2016: RMB92.5 million). These investment properties had been assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, with independent assessment reports issued. The decrease of investment properties was mainly due to disposals of investment properties for the year by approximately RMB43.6 million offset by additions of new investment properties by approximately RMB22.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Available-for-sale Investments ("AFS Investments")

AFS Investments represented an unlisted equity securities at fair value and certain unlisted equity securities at cost: (i) The unlisted equity securities at fair value represented the Group's investment in equity securities issued by 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"), a fellow subsidiary of the Company, which 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. In 2015, Home E&E was listed on National Equities Exchange and Quotations ("NEEQ"). On 27 December 2017, the shares of Home E&E were delisted from NEEQ. The fair value of the equity investment as at 31 December 2017 has been arrived at on the basis of valuations carried out by an independent qualified professional valuer by reference to recent transaction prices, where appropriate; (ii) The unlisted equity securities at cost represented the investments in Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司) ("Wuhu Gopher"), Shenzhen Baicheng Jinggong Co., Ltd. (深圳百城精工有限公司) ("Baicheng Jinggong") and several entities. At 31 December 2016, the investments owned by the Group represented 6.1% and 11.0% of the equity interests of Wuhu Gopher and Baicheng Jinggong amounting to RMB60,000,000 and RMB200,000, respectively. In addition to Wuhu Gopher and Baicheng Jinggong, the Group had invested RMB13,257,000 in several entities in aggregate, which represented the equity interests ranging from 5% to 15% in the investees, during the year. The above investments were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the Directors of the Company were of the opinion that their fair values could not be measured reliably.

Goodwill

For the year ended 31 December 2017, the Group acquired 16 companies, which generated the goodwill of approximately RMB187.4 million; while the Group disposed 3 subsidiaries, which led to reduction of the goodwill of approximately RMB19.6 million. 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 2017.

Deferred Taxes

As at 31 December 2017, Group's deferred tax assets that resulted from the allowance on doubtful debt amounted to approximately RMB37.3 million, while, the Group's deferred income tax liabilities that resulted from the amortisation of intangible assets, fair value adjustments of AFS investments, fair value adjustments of properties and temporary difference on long-term receivables were approximately RMB79.8 million, in total.

Bank Balances and Cash

As at 31 December 2017, the Group's bank balances and cash increased by 13.5% to the equivalent of approximately RMB856.7 million from approximately RMB754.8 million as at 31 December 2016. The increase in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB139.9 million generated from operating activities; (ii) net cash inflows of approximately RMB2.7 million generated from investing activities; offset by (iii) net cash outflows of approximately RMB 40.7 million used in financing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Receivables and Prepayments

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

As at 31 December 2017, total trade receivables of the Group amounted to approximately RMB392.7 million, which increased by approximately RMB113.9 million as compared to approximately RMB278.8 million as at 31 December 2016. The increase was mainly attributable to: (i) the growing revenue-bearing GFA under lump sum basis for the year; and (ii) the significant increase in revenue resulting from the rapid development of community leasing, sales and other value-added services.

The Group has subsequently collected total balances of the trade receivables of more than RMB74.1 million.

As at 31 December 2017, other receivables and prepayments increased from approximately RMB203.5 million as at 31 December 2016 to approximately RMB322.7 million, which was primarily attributable to: (i) an increase of approximately RMB60.8 million in prepayments to suppliers arising from the Group's office sublet business and Colour Life Property business, as well as its equipment upgrade projects, which were widely promoted among residential communities that the Group managed; (ii) an increase of approximately RMB28.5 million in payments on behalf of residents under lump sum basis and an increase of approximately RMB11.0 million in other deposits due to the growing revenue-bearing GFA under lump sum basis for the year; and (iii) an increase of approximately RMB18.9 million in other miscellaneous receivables in line with the rapid development of the Group's business.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group 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 expenditures paid by the Group on behalf of the residential communities.

Increase in balance of payments on behalf of residents and increase in balance of receipts 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprised items such as payables to sub-contracting services, receipts on behalf of residents under lump sum basis, receipts on behalf of residents for residential communities under consultancy services arrangement, advances from customers, deposits received, accrued staff costs, other tax payable, provision for retirement benefit contributions and consideration payables for acquisition of subsidiaries.

Trade payables increased from approximately RMB114.0 million as at 31 December 2016 to approximately RMB221.2 million as at 31 December 2017. This was primarily due to the growth of the Group's property management services business under lump sum basis and its community leasing, sales and other value-added services business.

Other payables and accruals increased from approximately RMB596.2 million as at 31 December 2016 to approximately RMB625.0 million as at 31 December 2017, primarily attributable to: (i) an increase of approximately RMB17.5 million in advances from customers and an increase of approximately RMB8.9 million in deposits received, resulting from the growing revenue-bearing GFA under lump sum basis for the year; (ii) an increase of RMB45.9 million in other tax payables and others in line with the Group's increase in business scale; offset by (iii) a decrease of approximately RMB43.5 million in consideration payables for acquisition of subsidiaries as compared to that as at 31 December 2016 due to subsequent settlements of the payables and the relatively reduced acquisition activities for the year.

Corporate Bonds

In November 2017, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life") issued domestic corporate bonds with an aggregate principal amount of RMB150,000,000. The domestic corporate bonds are guaranteed by Fantasia China, carrying a nominal interest at rate of 7% per annum and interest is payable annually, commencing in November 2018. The issue price is 96.3% of the principal. The effective interest rate is 8.4% per annum. The domestic corporate bonds will mature in November 2020.

As at 31 December 2017, the balance of the Group's corporate bonds was approximately RMB552.6 million.

Assets Backed Securities Issued ("ABS")

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 to the amount of RMB135,000,000 mentioned above, 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.

For the year ended 31 December 2017, the Group repaid the principle and the interest according to the agreement. As at 31 December 2017, the balance of the ABS in issue was approximately RMB227.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets at Fair Value through Profit or Loss ("Financial Assets at FVTPL")

Financial assets at FVTPL mainly represented money market funds investment issued by a reputable securities corporation. As at 31 December 2017, the balance of the financial assets at FVTPL was approximately RMB191.9 million.

Share Capital

As at 31 December 2017, the total number of issued shares of the Company was 995,741,000 (31 December 2016: 1,000,119,000) and the share capital was RMB78,945,000 (31 December 2016: RMB79,325,000).

Cash Position

As at 31 December 2017, the Group's total cash including pledged bank deposits decreased by approximately 1.1% to approximately RMB1,233.9 million from approximately RMB1,247.5 million as at 31 December 2016. Among the total cash, approximately RMB352.2 million (31 December 2016: approximately RMB492.7 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 2017, the current ratio (current assets/current liabilities) of the Group was approximately 1.6 (31 December 2016: approximately 1.9).

Borrowings and Charges on the Group's Assets

As at 31 December 2017, the Group had an aggregate bank and other borrowings of approximately RMB724.6 million (31 December 2016: approximately RMB660.3 million), among which, approximately RMB371.7 million (31 December 2016: RMB490.0 million) was secured by the Group's bank deposits and approximately RMB50.7 million was secured by the Company's equities in three subsidiaries, while the rest of approximately RMB302.2 million was purely credit loans.

Net Gearing Ratio

The net gearing ratio was 4.3% as at 31 December 2017 (31 December 2016: 0.5%), resulting from additional approximately RMB203.6 million of purely credit loans drawn down and approximately RMB150 million domestic corporate bonds issued during the year. The net gearing ratio was measured by net debt (including borrowings, corporate bonds and asset backed securities issued, and deducting bank balances and cash, pledged bank deposits and financial assets at FVTPL) over the total equity.

Currency Risk

The Group's operation is principally based in the PRC. Except for the bank deposits and bank borrowings 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 2017, despite the appreciation of RMB against SGD 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 2017, excluding the employees for communities under commission basis, the Group had 7,213 employees (31 December 2016: 7,727 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 to 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 50, 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 18 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, and graduated from the entrepreneurship and operation programme of China Europe International Business School in July 2017.

Mr. DONG Dong (董東), aged 54, 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. He served as the dean of the research institute of the Group in 2017. Mr. Dong has 18 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 19 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. 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) (currently known as Sichuan University (四川大學)) 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 nonexecutive 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 in the PRC, 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 17 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. 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 resigned as an independent non-executive director of Pegasus Entertainment Holdings Limited (天馬影視文化控股有限公司) (stock code: 1326), 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, on 13 December 2017.

DIRECTORS' PROFILE

Mr. ZHOU Hongyi (周鴻禕), aged 47, 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 10 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 67, 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, a firm 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 50, was appointed as an independent non-executive director on 11 June 2014. 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 IIT Stuart School of Business from 2006 to 2010. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctoral 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 is currently an independent non-executive director of Fantasia and 361 Degrees International Limited, both companies are listed on the Main Board of the Stock Exchange; an independent director of China Merchants Shekon Industrial Zone Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange; and chief strategy officer of JD Group, a company listed on NASDAQ Stock Exchange.

Mr. XU Xinmin (許新民), aged 66, has the title of real estate economist with over 20 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 secretarygeneral 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 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 45, 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 23 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 in 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 the Master's degree in Business Administration from Tsinghua University, Beijing in June 2017.

Mr. QIAN Kun (錢坤), aged 48, 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 25 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 department 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 52, 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 13 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), a company primarily engaged in manpower services, from 1999 to 2001, 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 primarily 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.

SENIOR MANAGEMENT'S PROFILE

Mr. CHANG Rong (昌榮), aged 41, 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 division of the Group. He has been a vice president of Shenzhen Colour Life since January 2015. He has about 17 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 primarily 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 40, 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 18 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 primarily 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 an Executive Master of Business Administration degree (EMBA) from China Europe International Business School in November 2017.

Dr. DUAN Feiqin (段斐欽), aged 39, 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 13 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 corporate 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. 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.

SENIOR MANAGEMENT'S **PROFILE**

Ms. DING Yang (丁楊), aged 42, 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 13 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 centre 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 38, is the chief human resources officer 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 centre since 2012. Ms. Yu has over 10 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 primarily 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 primarily 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.

Ms. HAN Jinjin (韓金金), aged 41, is the chief general officer of the Group. She joined the second-tier subsidiary of the Group in May 2013 and was re-designated to the CEO office of the Group in May 2014 and is responsible for the general operation and management of the CEO office and served 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 13 years of experience in corporate management. Prior to joining the Group, she was the branch manager of Shenzhen Daihing Automobile Group (深圳大興汽車集團) from May 2002 to December 2012, where she 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.

SENIOR MANAGEMENT'S PROFILE

Mr. YAO Qi (姚琦), aged 50, is the senior director of the Group's marketing centre. He joined the Group in April 2014 and is responsible for the market development and management of the Group. Mr. Yao has 26 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 primarily 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 centre for Zhuhai Great Aim Group (珠海市華策集團公司), a company primarily 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 primarily 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. JIA Yuanwen (賈遠文), aged 43, is the senior director of the operation centre of the Group. He joined the Group in March 2017 and is responsible for offline operation management of the operation centre of the Group. Mr. Jia has about 17 years of experience in the service industry. Prior to joining the Group, he was an operation supervisor of Sinotrans (HK) Express Co. Ltd. (中國外運速遞(香港)有限公司) from April 2000 to July 2003. He was an assistant head of commanding and dispatching centre (指揮調度中心) and a head of quality management department of S.F. Express Co., Ltd. (順豐速運有限公司) from August 2003 to February 2017. Mr. Jia graduated from Hubei University of Economics (湖北經濟學院) in July 1998, and graduated from Beijing Jiaotong University(北京交通大學)with a Bachelor's degree in Administration in July 2005.

Mr. LAI Anqin (賴安秦), aged 40, is the senior director of the operation centre of the Group. He joined the Group in January 2017 and is responsible for internet operations in the community. Mr. Lai has 13 years of experience in internet and wireless internet. Prior to joining the Group, he served as product operation director at OPPO Wireless Internet Company (OPPO無綫互聯網公司), a company primarily engaged in the sales of mobile phones and internet value-added service businesses from March 2015 to January 2017, where he was responsible for products and operation of 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 primarily engaged in e-commerce ecosystem service, where he 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 primarily engaged in e-commerce, where he 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 primarily engaged in internet value-added service, where he 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 primarily engaged in management and consultancy, where he was primarily responsible for consultancy and research of mobile projects. Mr. Lai graduated from Lanzhou University of Finance and Economics (蘭州財經大學) with a Bachelor's Degree in Economics in July 2001.

SENIOR MANAGEMENT'S PROFILE

Ms. YANG Laiying (楊來瑛), aged 44, is the senior director of planning and integration centre of the Group. She joined the Group in May 2006 and is responsible for the operation of property division. Ms. Yang Laiying has over 16 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 , where she was primarily responsible for property management. 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.

Mr. YANG JianJun (楊建軍), aged 30, is a chief technology officer of the research institute of the Group. He joined the Group in April 2016 and is responsible for the promotion of information technology, the development, operation and maintenance of Caizhiyun platform, business innovation and technology-driven tasks. Mr. Yang has about 15 years of experience in the areas of internet and information technology services. Prior to joining the Group, he was a deputy general manager at Shenzhen Yiwang Shidai Technology Development Co., Ltd (深圳市壹網時代科技發展有限公司) from February 2006 to March 2012, where he was responsible for overall business development and operation of technology division. From March 2012 to May 2013, he was a deputy chief software engineer of Shenzhen Huixiang Technology Co., Ltd (深圳市惠想科技有限公司), where he was responsible for the elevator safety, monitoring the development, operation and maintenance of upper computer in respect of Internet of Things (IoT) platform. He was an information technology director of the technology department of Shenzhen City Investment Development Group Co., Ltd (深圳市城市投資發展集團有限公司) from May 2013 to November 2015, where he was responsible for the promotion and construction of overall information technology of SCT Group (深城投集團), the operation of GPS monitoring platform for vehicles, internet-based transformation of driving training business. From November 2015 to April 2016, he found Shenzhen Qing Internet Technology Co., Ltd (深圳市輕互聯科技有限公司) and served as its co-founder and technical director. Mr. Yang discontinued schooling and started his business during the PC internet era in early 2004. Meanwhile, he has successively participated in several professional trainings in respect of internet products, technology development, cloud computing, architects and technical team management hosted by various institutes such as Tsinghua University (清華大學), The PLA Information Engineering University (中國人民解放軍信息工程大學) etc..

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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 94.

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 8 to 19, "Chairman's Statement" on pages 20 to 23 and the "Management Discussion and Analysis" on pages 24 to 47 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 HK15.00 cents per share amounting to HK$197,173,050 payable on Friday, 15 June 2018 to all persons registered as holders of shares of the Company on Tuesday, 5 June 2018, 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 2017, the total number of issued shares of the Company was 995,741,000 (31 December 2016: 1,000,119,000) and the share capital was RMB78,945,000 (31 December 2016: 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 2017, calculated under the Cayman Islands Companies Law, amounted to RMB423.2 million (2016: RMB522.3 million) representing share premium of RMB414.7 million, Shares held for Share award Scheme of RMB9.0 million, share option reserve of RMB242.5 million, and accumulated loss of RMB225.0 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

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. Zhou Hongyi, Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin 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. On 11 June 2017, their service contracts were renewed for a term of another three years, 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 2017 is set out below:

	Number of individuals
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	6
	14

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in note 9 to the consolidated financial statements.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION

As at 31 December 2017, 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	72.41%
	Beneficial owner[(3)]	1,098,940	0.11%
	Family Interest[(4)]	450,000	0.05%
		722,537,199	72.57%
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).

(4) The 450,000 shares are beneficially owned by Ms. Dai Minglei, who is the spouse of Mr. Tang.

REPORT OF DIRECTORS

(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 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 2017, 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 2017.

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 100,000,000 shares, which represented approximately 7.61% 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 80,678,480, representing 6.14% 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.

REPORT OF
DIRECTORS

The summary below sets out the details of movement of the share options for the year ended 31 December 2017 pursuant to the Share Option Scheme:

				Number of share options						
Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2017	Weighted average closing price immediately before exercise HK$	Notes
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. 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,	29 September 2014	6.66	6.66	15,242,451	–	–	(1,119,703)	14,122,748	–	(1)
a resigned non-executive				19,433,154			(516,345)	18,916,809	–	(2)&(5)
Director and certain minority	30 April 2015	11.00	10.88	18,801,113	–	–	(1,534,108)	17,267,005	–	(3)
shareholders of the Company's subsidiaries	18 March 2016	5.764	5.76	31,453,738		–	(6,862,500)	2,4591,238	–	(4)
Total				90,711,136		–	(10,032,656)	80,678,480	–	

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

The Board 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 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 ended 31 December 2017, total of 159,000 (2016: 1,607,000) 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 (2016: RMB9,010,000) was deducted from shareholders' equity.

As at 31 December 2017, the shares held for the Share Award Scheme have not been awarded to eligible employees or consultants of the Group.

REPORT OF DIRECTORS

Share Repurchases

As at 31 December 2017, the Company had repurchased a total of 4,378,000 shares of HK$0.10 each on the Stock Exchange at an aggregate consideration of HK$21,288,390. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	HK$	HK$
April 2017	970,000	4.66	4.45	4,422,110
June 2017	1,304,000	4.63	4.48	5,984,900
July 2017	943,000	5.52	5.18	5,060,930
August 2017	826,000	5.15	4.90	4,148,820
September 2017	335,000	5.04	4.96	1,671,630

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 2017.

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

Other than those transactions disclosed in the paragraph "Connected Transactions" and "Continuing Connected Transactions", 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 Transactions" 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.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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	72.54%
Ice Apex	Interest of controlled corporation(1)&(2)	722,331,259	72.54%
Fantasy Pearl	Beneficial owner	1,343,000	0.13%
	Interest of controlled corporation(1)&(2)	720,988,259	72.41%
		722,331,259	72.54%
Fantasia Holdings	Beneficial owner(1)	503,956,782	50.61%
	Other interest(2)	217,031,477	21.80%
		720,988,259	72.41%
Splendid Fortune	Beneficial owner(3)	217,031,477	21.80%
	Other interest(4)	503,956,782	50.61%
		720,988,259	72.41%
Colour Success	Interest of controlled corporation(3)&(4)	720,988,259	72.41%

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 2017, 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.

REPORT OF DIRECTORS

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 2017, 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 2017, 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 TRANSACTIONS

On 14 November 2017, certain subsidiaries of the Company proposed to acquire from certain subsidiaries of Fantasia 100% of the beneficial interest in 深圳市幸福萬象投資合夥企業(有限合夥) (Shenzhen Xingfu Wanxiang Investment Partnership Co. (Limited Partnership)) ("Shenzhen Wanxiang") and 100% of the equity interest in 萬象美物業管理有限公司 (Wanxiangmei Property Management Co., Ltd.) (the "Target Company") for a total consideration of RMB2,012,520,000 by the entering into of the first agreement (the "First Agreement"), the second agreement (the "Second Agreement"), the third agreement (the "Third Agreement") and the fourth agreement (the "Fourth Agreement") (Collectively, the "Agreements").

The First Agreement

On 14 November 2017, 深圳市彩生活服務集團有限公司 (Shenzhen Colour Life Services Group Company Limited) ("Shenzhen Colour Life"), a wholly-owned subsidiary of the Company, entered into the First Agreement with 花樣年集團(中國)有限公司 (Fantasia Group (China) Co., Ltd.) ("Fantasia China"), a wholly-owned subsidiary of Fantasia, pursuant to which Fantasia China agreed to transfer the 100% equity interest in 深圳市花樣年教育諮詢有限公司 (Shenzhen Fantasia Education Consulting Co., Ltd.) ("Fantasia Education Consulting") to Shenzhen Colour Life for a consideration of RMB797,880,000.

The Second Agreement

On 14 November 2017, Colour Life Investment Company Limited ("Colour Life Investment"), a wholly-owned subsidiary of the Company, entered into the Second Agreement with Link Joy Holdings Group Co., Limited ("Link Joy Holdings"), a wholly-owned subsidiary of Fantasia, pursuant to which Link Joy Holding agreed to transfer the 100% equity interest in Link Joy (HK) Co., Limited ("Link Joy") to Colour Life Investment for a consideration of RMB1,184,640,000.

On 19 December 2017, Fantasia, Colour Life Investment and Link Joy Holdings entered into a supplemental agreement, pursuant to which the parties agreed to transfer Link Joy Holdings rather than Link Joy to Colour Life Investment, and to amend the payment method for the consideration under the Second Agreement by a combination of the Company issuing in aggregate 231,500,000 new shares of the Company at HK$5.10 per share to Fantasia and as to the balance approximately RMB186,294,000 by cash.

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The Third Agreement

On 14 November 2017, 深圳市高潤達股權投資有限公司 (Shenzhen Gaorunda Equity Investment Co., Ltd.) ("Shenzhen Gaorunda"), a wholly-owned subsidiary of the Company, entered into the Third Agreement with 深圳前海嘉年投資基金管理有限公司 (Shenzhen Qinhai Jianian Investment Fund Management Co., Ltd.) ("Shenzhen Jianian"), a wholly-owned subsidiary of Fantasia, pursuant to which Shenzhen Jianian would transfer its contribution of RMB1,000,000 in Shenzhen Wanxiang to Shenzhen Gaorunda, and Shenzhen Gaorunda would be under the obligation to settle the contribution.

The Fourth Agreement

On 14 November 2017, Shenzhen Gaorunda entered into the Fourth Agreement with Shenzhen Jianian, pursuant to which Shenzhen Jianian agreed to transfer its 1% equity interest in the Target Company to Shenzhen Gaorunda for a consideration of RMB30,000,000.

Effect of the Transaction

Shenzhen Jiaxin has 100% beneficial interest in Shenzhen Wanxiang. Upon completion of the Transaction, the Company will hold the entire equity interests in each of Fantasia Education Consulting and Link Joy, which in turn will hold all the equity interests in Shenzhen Jiaxin through Fantasia Education Consulting and Shenzhen Link Joy. Upon which, Colour Life will indirectly own 100% beneficial interest in Shenzhen Wanxiang through Shenzhen Jiaxin.

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

As at the date of the Agreements, Fantasia was interested in approximately 72.41% of the issued share capital of the Company and was the controlling shareholder and a connected person of the Company. Accordingly, the transaction also constitutes a connected transaction for the Company. Details of the Agreements are set out in the announcements and the circular of the Company dated 14 November 2017, 19 December 2017 and 5 February 2018 respectively.

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 2017.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2017. Details of the transactions are set out in note 45 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, an indirect wholly-owned subsidiary of the Company, 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.

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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 transactions" in the Company's prospectus dated 17 June 2014.

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.

For the year ended 31 December 2017, the fees payable by the Fantasia Group to the Group for the provision of the Engineering Services under the 2017 Engineering Services Agreement amounted to RMB5.7 million, which was within the annual cap of RMB40.0 million for the same period.

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, an indirect wholly-owned subsidiary of the Company, 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.

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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.

For the year ended 31 December 2017, the fees payable by the Fantasia Group to the Group for the provision of Pre-delivery Property Management Services under the 2017 Pre-delivery Property Management Services Agreement amounted to RMB0.9 million, which was within the annual cap of RMB23.0 million for the same period.

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, an indirect wholly-owned subsidiary of the Company, 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 2017 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 2017, the fees payable by the Fantasia Group to the Group for the provision of the Network and Advertising Services under the 2017 Network and Advertising Services Agreement amounted to RMB18.0 million, which was within the annual cap of RMB36.0 million for the same period.

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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.

REPORT OF DIRECTORS

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 RMB67.4 million for the year ended 31 December 2017 and approximately RMB3.3 million as of 31 December 2017, 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.

REPORT OF DIRECTORS

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; and

(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.

REPORT OF DIRECTORS

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; and

(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 45 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.

REPORT OF DIRECTORS

(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 2017, (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 2017, 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.

REPORT OF DIRECTORS

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2017, 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 2017.

Total emolument of RMB657.4 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB5.0 million for the Directors' remuneration and RMB652.4 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 2017, 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 provision E.1.2, details of which are set out in the "Corporate Governance Report" on pages 77 to 85 of this annual report.

REPORT OF DIRECTORS

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 2017 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 2017, approximately RMB687.8 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 RMB133.7 million for the Group's purchasing hardware equipment used for upgrading the communities under our engineering services business segment; 3) approximately RMB52.8 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 2017, RMB28.4 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, 19 March 2018

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 provision E.1.2, details of which will be explained below.

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 24 May 2017 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 2017, 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 2017 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2017.

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 48 to 50 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 2017, 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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. 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 2017, 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.

CORPORATE
GOVERNANCE REPORT

The Audit Committee held 2 meetings during the year ended 31 December 2017. 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 2016 and unaudited interim results for the six months ended 30 June 2017, 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 a meeting during the year ended 31 December 2017. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. 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 9 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.

CORPORATE GOVERNANCE REPORT

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 2017. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2017 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 ANNUAL GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board and Board Committees and the annual general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office		
Name of Directors	**Board**	**Audit Committee**	**2017 AGM**
Executive Directors			
Mr. Tang Xuebin	7/7	N/A	1/1
Mr. Dong Dong	7/7	N/A	1/1
Non-executive Directors			
Mr. Pan Jun	7/7	N/A	1/1
Mr. Lam Kam Tong	7/7	N/A	1/1
Mr. Zhou Hongyi	0/7	N/A	0/1
Independent Non-executive Directors			
Mr. Tam Chun Hung, Anthony	5/7	2/2	1/1
Dr. Liao Jianwen	5/7	2/2	0/1
Mr. Xu Xinmin	5/7	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 2017.

CORPORATE GOVERNANCE REPORT

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 2017.

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 86 to 93 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 2017 is set out below:

Service Category	**Fees Paid/ Payable** HKD'000
Audit Service	3,350
Non-audit Services	
— Interim review of financial results for the six months ended 30 June 2017	1,100
— Review on continuing connected transactions	36
— Due diligence check on major acquisition	2,094
	6,580

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 2017, 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 2017.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

For the year ended 31 December 2017, 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 2017, 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.

CORPORATE GOVERNANCE REPORT

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 73 of this annual report.

INDEPENDENT AUDITOR’S REPORT

Deloitte. 德勤

To the Members of Colour Life Services 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 94 to 204, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 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.

INDEPENDENT AUDITOR'S REPORT

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 estimations 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 estimation of 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 costs 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 the 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 rates and cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in note 19 to the consolidated financial statements, the carrying amount of goodwill was RMB917,440,000 representing 20% of total assets of the Group, the balance of impairment was RMB870,000 as at 31 December 2017 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2017.	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 the impairment assessment of goodwill.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Intangible assets arising from acquisitions of subsidiaries	
We identified intangible assets arising from acquisitions of subsidiaries as a key audit matter due to the significant degree of estimations 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 intangible assets arising from acquisitions of subsidiaries which engage in property management during the year ended 31 December 2017, was RMB59,445,000. In application of HKFRS 3, the management applied significant estimations 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 RMB59,445,000 acquired in business combination are based on valuations performed by an independent qualified professional valuer which is not connected with the Group (the "Valuer").	Our procedures in relation to assessing the appropriateness of intangible assets arising from the acquisitions of subsidiaries included: • Obtaining an understanding of how the management accounted for the acquisitions 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.

INDEPENDENT AUDITOR'S REPORT

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 estimations 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 is RMB392,699,000 and the balance of allowance for doubtful debts is RMB39,441,000 as at 31 December 2017 and the allowance for doubtful debts of RMB16,712,000 was recognised for the year end 31 December 2017.	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.

INDEPENDENT AUDITOR'S REPORT

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 estimations 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 RMB406,827,000 as at 31 December 2017 and the allowance for doubtful debts of RMB31,963,000 was recognised for the year end 31 December 2017.	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 be terminated, 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 the 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.

INDEPENDENT AUDITOR'S REPORT

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 issued by the HKICPA 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR’S REPORT

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
19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	**1,628,698**	1,342,069
Cost of sales and services		**(898,020)**	(756,280)
Gross profit		**730,678**	585,789
Other gains and losses	6	**(5,103)**	(30,868)
Other income	6	**52,715**	19,562
Selling and distribution expenses		**(26,167)**	(13,477)
Administrative expenses		**(277,215)**	(297,505)
Expenses recharged to residential communities under commission basis		**67,409**	66,255
Finance costs	7	**(90,236)**	(38,004)
Change in fair value of investment properties		**2,840**	5,503
Share of results of associates		**(279)**	796
Share of results of joint ventures		**1,988**	(258)
Profit before tax		**456,630**	297,793
Income tax expense	8	**(105,981)**	(81,782)
Profit for the year	10	**350,649**	216,011
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**1,897**	23,103
Deferred taxation effect on change in fair value of available-for-sale investments		**(474)**	(5,776)
Other comprehensive income for the year, net of income tax		**1,423**	17,327
Total comprehensive income for the year		**352,072**	233,338
Profit for the year attributable to:			
– Owners of the Company		**320,657**	187,785
– Non-controlling interests		**29,992**	28,226
		350,649	216,011
Total comprehensive income for the year attributable to:			
– Owners of the Company		**322,080**	205,112
– Non-controlling interests		**29,992**	28,226
		352,072	233,338
Basic and diluted earnings per share (RMB cents)	12	**32.19**	18.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	13	**168,679**	180,757
Investment properties	14	**70,554**	92,528
Interests in associates	15	**23,692**	7,728
Interests in joint ventures	16	**45,645**	850
Available-for-sale investments	17	**148,457**	133,303
Intangible assets	18	**241,046**	210,303
Goodwill	19	**917,440**	749,580
Trade receivables	20	**10,983**	8,247
Other receivables and prepayments	20	**6,989**	7,489
Loan receivables	21	**44,794**	9,750
Deferred tax assets	22	**37,342**	26,506
Amount due from a director	45(b)	**323**	343
Deposits paid for potential acquisitions of subsidiaries	23	**52,793**	142,537
		1,768,737	1,569,921
Current assets			
Inventories		**7,331**	2,486
Amounts due from customers for contract works	24	**43,693**	41,018
Trade receivables	20	**381,716**	270,525
Other receivables and prepayments	20	**315,751**	196,027
Loan receivables	21	**39,550**	217,500
Payments on behalf of residents	25	**406,827**	259,802
Amounts due from fellow subsidiaries	45(b)	**109,743**	34,550
Amounts due from non-controlling shareholders of the subsidiaries	45(b)	**113,153**	82,330
Amounts due from related parties	45(b)	**15,477**	16,168
Amounts due from associates	45(b)	**27,567**	1,434
Amounts due from joint ventures	45(b)	**5,292**	–
Amount due from a director	45(b)	**60**	60
Financial assets at fair value through profit or loss ("FVTPL")	26	**191,898**	83,275
Pledged bank deposits	27	**377,175**	492,675
Bank balances and cash	27	**856,680**	754,837
		2,891,913	2,452,687
Current liabilities			
Amounts due to customers for contract works	24	**13,778**	16,746
Trade payables	28	**221,172**	113,991
Other payables and accruals	28	**624,959**	596,177
Receipts on behalf of residents	25	**157,872**	156,442
Amounts due to fellow subsidiaries	45(b)	**12,740**	7,442
Amounts due to non-controlling shareholders of the subsidiaries	45(b)	**16,472**	32,886
Amounts due to associates	45(b)	**13,513**	7,564
Amounts due to joint ventures	45(b)	**7,153**	326
Tax liabilities		**179,000**	136,799
Borrowings due within one year	29	**454,030**	161,506
Corporate bonds due within one year	30	**16,300**	14,436
Assets backed securities issued due within one year	31	**42,533**	37,642
		1,759,522	1,281,957
Net current assets		**1,132,391**	1,170,730
Total assets less current liabilities		**2,901,128**	2,740,651

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities	22	**79,773**	73,941
Amount due to a fellow subsidiary	45(b)	**2,271**	9,859
Borrowings due after one year	29	**270,570**	498,788
Corporate bonds due after one year	30	**536,302**	388,149
Assets backed securities issued due after one year	31	**185,204**	237,442
Total non-current liabilities		**1,074,120**	1,208,179
Net assets		**1,827,008**	1,532,472
Capital and reserves			
Share capital	32	**78,945**	79,325
Reserves		**1,641,855**	1,379,597
Equity attributable to owners of the Company		**1,720,800**	1,458,922
Non-controlling interests		**106,208**	73,550
Total equity		**1,827,008**	1,532,472

The consolidated financial statements on pages 94 to 204 were approved and authorised for issue by the Board of Directors on 19 March 2018 and signed on behalf by:

Tang Xuebin
DIRECTOR

Lam Kam Tong
DIRECTOR

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2017

	Attributable to owners of the Company										
	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	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2016	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 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
Total comprehensive income for the year	–	–	–	–	–	17,327	–	187,785	205,112	28,226	233,338
Dividend paid to shareholders of the Company (note 11)	–	(84,695)	–	–	–	–	–	–	(84,695)	–	(84,695)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,473)	(5,473)
Acquisitions of subsidiaries (note 37)	–	–	–	–	–	–	–	–	–	7,450	7,450
Disposal of a subsidiary (note 38(a))	–	–	–	–	–	–	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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**320,657**	**320,657**	**29,992**	**350,649**
Change in fair value on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**1,897**	**–**	**–**	**1,897**	**–**	**1,897**
Deferred taxation effect on change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(474)**	**–**	**–**	**(474)**	**–**	**(474)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,423**	**–**	**–**	**1,423**	**–**	**1,423**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,423**	**–**	**320,657**	**322,080**	**29,992**	**352,072**
Dividend paid to shareholders of the Company (note 11)	**–**	**(86,718)**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,718)**	**–**	**(86,718)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,869)**	**(8,869)**
Acquisitions of subsidiaries (note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,631**	**16,631**
Disposal of subsidiaries (notes 38(a) and (b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,096)**	**(5,096)**
Recognition of equity-settled share-based payment (note 33)	**–**	**–**	**–**	**45,303**	**–**	**–**	**–**	**–**	**45,303**	**–**	**45,303**
Cancelled upon repurchase of shares (note 32)	**(380)**	**(18,407)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,787)**	**–**	**(18,787)**
Transfer	**–**	**–**	**15,150**	**–**	**–**	**–**	**–**	**(15,150)**	**–**	**–**	**–**
At 31 December 2017	**78,945**	**414,695**	**56,380**	**242,458**	**(9,010)**	**18,750**	**(52,989)**	**971,571**	**1,720,800**	**106,208**	**1,827,008**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

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 the 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 disposal 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., Limited to eligible directors and employees of the Company and credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**456,630**	297,793
Adjustments for:		
Allowance for doubtful debts	**49,771**	29,000
Depreciation of property, plant and equipment	**38,187**	27,779
Amortisation of intangible assets	**28,702**	23,108
Interest income	**(34,441)**	(5,653)
Imputed interest income on non-current interest-free trade receivables	**(401)**	(1,128)
Gain on disposal of subsidiaries	**(48,285)**	–
Change in fair value of financial assets at FVTPL	**(5,896)**	(2,828)
Finance costs	**90,236**	38,004
Share-based payment expenses	**45,303**	79,041
Share of results of joint ventures	**(1,988)**	258
Share of results of associates	**279**	(796)
Loss on disposal of property, plant and equipment	**3,095**	4,364
Changes in fair value of investment properties	**(2,840)**	(5,503)
Operating cash flows before movements in working capital	**618,352**	483,439
Increase in inventories	**(4,845)**	(140)
Increase in trade receivables	**(140,183)**	(67,860)
Increase in other receivables and prepayments	**(238,007)**	(101,964)
Changes in payments/receipts on behalf of residents	**(169,425)**	(74,112)
Changes in amounts due from/to customers for contract works	**(5,643)**	(7,085)
Increase in trade payables	**139,992**	33,560
Increase in other payables	**27,694**	87,768
Increase in amounts due from fellow subsidiaries	**(26,999)**	(9,952)
Increase in amounts due to fellow subsidiaries	**8,050**	1,111
Decrease (increase) in amounts due from related parties	**9,845**	(15,320)
Cash generated from operations	**218,831**	329,445
Income taxes paid	**(78,981)**	(68,897)
NET CASH FROM OPERATING ACTIVITIES	**139,850**	260,548

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Interest received		**33,869**	4,824
Acquisitions of subsidiaries (net of cash and cash equivalent acquired)	37	**(75,875)**	(179,837)
Deposit paid for acquisition of subsidiaries and associates		**(11,467)**	(88,692)
Deposit refunded for acquisition of subsidiaries		**849**	38,000
Settlement of consideration payables on acquisition of subsidiaries		**(46,390)**	(40,837)
Disposal of a subsidiary (net of cash and cash equivalent disposed)	38(a)	**5,268**	9,432
Disposal of partial interests in subsidiaries result in loss of control	38(b)	**11,327**	–
Purchase of property, plant and equipment		**(100,322)**	(64,867)
Purchase of investment properties		**(12,604)**	–
Proceeds on disposal of investment properties		**43,578**	4,825
Proceeds of disposal of property, plant and equipment		**8,797**	7,987
Purchase of available-for-sale investments		**(11,444)**	(110,200)
Capital injection to associates		**(15,330)**	(600)
Increase in pledged bank deposits		**(25,000)**	(50,000)
Decrease in pledged bank deposits		**140,500**	108,708
Advance of loan receivables		**(61,594)**	(230,250)
Repayment of loan receivables		**204,500**	3,298
Advances to fellow subsidiaries		**(55,211)**	(100)
Repayment from fellow subsidiaries		**600**	22,050
Advances to associates		**(26,133)**	(329)
Advances to related parties		**(9,154)**	–
Advances to joint ventures		**(5,292)**	–
Repayment from a related party		**–**	6,380
Advances to non-controlling shareholders of the subsidiaries		**(15,164)**	(3,529)
Repayment from non-controlling shareholders of the subsidiaries		**23,553**	9,570
Advance to a director		**–**	(401)
Repayment from a director		**34**	10
Advances to staffs		**–**	(2,311)
Repayment from staffs		**836**	1,033
Advance to a former shareholder of a subsidiary		**–**	(1,957)
Repayment from a former shareholder of a subsidiary		**–**	4,343
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,731**	(553,450)

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended 31 December 2017

	2017 **RMB'000**	2016 RMB'000
FINANCING ACTIVITIES		
Interest paid	**(78,549)**	(17,465)
Net proceeds from the issuance of assets backed securities	**–**	284,930
Repayment of principal of assets backed securities issued	**(51,250)**	(12,500)
New borrowings raised	**329,819**	220,304
Repayments of bank borrowings	**(265,513)**	(153,000)
Net proceeds from the issuance of corporate bonds	**144,504**	388,149
Capital contribution from a non-controlling shareholder	**–**	2,115
Advances from fellow subsidiaries	**–**	14,734
Repayment to fellow subsidiaries	**(4,398)**	(3,480)
Advances from joint ventures	**6,455**	232
Advances from associates	**5,935**	2,524
Advances from non-controlling shareholders of the subsidiaries	**11,124**	6,424
Repayment to non-controlling shareholders of the subsidiaries	**(24,491)**	(4,572)
Acquisition of additional interest of subsidiaries	**–**	(286)
Dividend paid to non-controlling shareholders of the subsidiaries	**(8,869)**	(5,473)
Dividend paid to shareholders of the Company	**(86,718)**	(84,695)
Listing expense paid	**–**	(670)
Purchase of shares for share award scheme	**(18,787)**	(9,010)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(40,738)**	628,261
NET INCREASE IN CASH AND CASH EQUIVALENTS	**101,843**	335,359
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**754,837**	419,478
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**856,680**	754,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("the SEHK"). Its 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 addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 44.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the 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.

Amendments to HKAS 7 disclosures initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flow from those financial assets were or future cash flow will be included in cash flows from financing activities.

Specially, the amendments require the following to be disclosed (i) changes from financing cash flows; (ii) changes arising from obtaining or loss control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 39. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the addition disclosure in note 39, the application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

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 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

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

HKFRS 9 *Financial Instruments* *(Continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets 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; and

- 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 recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Unlisted equity securities classified as available-for-sale investments carried at fair value as disclosed in note 17: these securities qualified for designation at FVTOCI under HKFRS 9 and the Group plans to designate these securities as FVTOCI, however, the fair value gains or losses and the deferred tax effect of the fair value gains or losses accumulated in the investments revaluation reserve amounting to RMB18,750,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income in the future;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these securities qualified for designation at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with the fair value gains or losses and the deferred tax effect of the fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial recognition of HKFRS 9, the directors of the Company consider that no significant fair value gain or losses on these securities would be adjusted to investments revaluation reserve as at 1 January 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

HKFRS 9 *Financial Instruments* *(Continued)*

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables, other receivables and prepayments, loan receivables and payments on behalf of residents. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

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

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 asset 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.

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 presented 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 presented as operating cash flows. Upon application of 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 by the Group.

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 2017, the Group has non-cancellable operating lease commitments of RMB588,533,000 as disclosed in note 41. A preliminary assessment indicated that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of RMB10,471,000 and refundable rental deposits received of RMB13,570,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 have been prepared on the historical cost basis except for investment properties, available-for-sale investments and financial assets at FVTPL that are measured at fair values at the end of each reporting period, 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 "Leases", 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

The principal accounting policies are set out below.

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 and 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 Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains controls until the date when the Group 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 financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 or, 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;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); 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 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

Merger accounting for business combination involving business under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a short period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generating units) 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 its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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 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 (or any of the cash-generating units within group of cash generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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 joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor 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 arrangement. 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 joint ventures 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 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate 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 profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 or joint venture), 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 the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a 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 associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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

At the end of each 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) *(Continued)*

When it is not possible to estimate the recoverable amount of an asset individually, 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 (or a cash-generating) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowance and sale-related tax in the PRC.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group’s activities, as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Revenue from property management services (including property management services under commission basis and lump sum basis, pre-sale services and property management consultancy services), repair and maintenance services, energy-saving services and community leasing, sales and other services (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) is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Installation contract revenue

Where the outcome of the installation contract revenue 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 advances 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income

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 the accounting policy for leasing above.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

The tax currently payable is based on taxable profit for 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 deferred tax 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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).

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 realisable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, financial assets at FVTPL and available-for-sale investments. 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 debt instrument 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.

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 receivables, other receivables, loan receivables, payments on behalf of residents, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classfied as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL. 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
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent 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 at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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 are measured at fair value at the end of each reporting period expect for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment loss of financial assets *(Continued)*

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

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 Company 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 payables, other payables, receipts on behalf of residents, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates and joint ventures, 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)*

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payment to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting considerations is expensed on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest, 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 based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, 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 option 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 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 costs 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 the 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 unfavourableness, a material impairment loss may arise. The carrying amount of goodwill net of accumulated impairment loss was amounted to RMB917,440,000 (2016: RMB749,580,000).

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

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 costs 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 2017, the carrying amount of intangible assets net of accumulated impairment loss was RMB241,046,000 (2016: carrying amount of RMB210,303,000).

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the ages of trade receivables and 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 the 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 the Group's trade receivables was RMB392,699,000 (2016: RMB278,772,000), net of allowance for doubtful debt of RMB39,441,000 (2016: RMB24,851,000).

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.

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 were terminated or expected to be terminated, 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 amount of the Group's payments on behalf of residents under commission basis was RMB406,827,000 (2016: RMB259,802,000), net of allowance for doubtful debt of RMB83,462,000 (2016: RMB54,708,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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 estimated 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 RMB168,679,000 (2016: RMB180,757,000).

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 the future. The carrying amount of investment properties was RMB70,554,000 (2016: RMB92,528,000).

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 was RMB43,693,000 (2016: RMB41,018,000) as disclosed in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 executive 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 by different type of services rendered. 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. Community leasing, sales and other value-added services – Provision of common area rental assistance, online promotion services, leasing information system software, residential and retail units rental and sales assistance, and office sublet and other value-added services.

3. Engineering services – Provision of equipment installation services, repair and maintenance services, equipment leasing services and energy-saving 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 at FVTPL, share of results of associates and joint ventures, interest income, finance costs, share-based payment expenses, exchange (loss) gain, gain on disposal of subsidiaries 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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	Community leasing, sales and other value-added services RMB'000	Engineering services RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2017					
External revenue	1,231,285	276,804	120,609	–	1,628,698
Inter-segment revenue	–	26,191	12,938	(39,129)	–
Segment revenue	1,231,285	302,995	133,547	(39,129)	1,628,698
Segment profit	239,344	217,854	51,143		508,341
Changes in fair value of investment properties					2,840
Changes in fair value of financial assets at FVTPL					5,896
Gain on disposal of subsidiaries					48,285
Share of results of associates					(279)
Share of results of joint ventures					1,988
Finance costs					(90,236)
Interest income					34,441
Share-based payment expense					(45,303)
Exchange loss					(1,309)
Other unallocated expenses					(8,034)
Profit before tax					456,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Property management services RMB'000	Community leasing, sales and other value-added services RMB'000	Engineering services RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2016					
External revenue	1,059,067	156,856	126,146	–	1,342,069
Inter-segment revenue	–	16,178	6,159	(22,337)	–
Segment revenue	1,059,067	173,034	132,305	(22,337)	1,342,069
Segment profit	234,015	121,507	47,253		402,775
Changes in fair value of investment properties					5,503
Changes in fair value of financial assets 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Property management services RMB'000	Community leasing, sales and other value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Year ended 31 December 2017				
Segment information included in the measure of segment profit:				
Amortisation of intangible assets	**28,702**	**–**	**–**	**28,702**
Depreciation of property, plant and equipment	**6,320**	**10,430**	**21,437**	**38,187**
Impairment loss recognised on payments on behalf of residents under commission basis	**31,963**	**–**	**–**	**31,963**
Impairment loss recognised on trade and other receivables	**12,736**	**2,999**	**2,073**	**17,808**
Imputed interest income on non-current interest-free trade receivables	**–**	**–**	**401**	**401**
Loss on disposal of property, plant and equipment	**3,095**	**–**	**–**	**3,095**
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	2,665	18,473	27,779
Impairment loss recognised on payments on behalf of residents under commission basis	17,274	–	–	17,274
Impairment loss recognised on trade and other receivables	6,858	2,548	2,320	11,726
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

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major services

	2017 RMB'000	2016 RMB'000
Property management services		
Property management services fee under commission basis	**164,761**	163,960
Property management services fee under lump sum basis	**911,456**	758,169
Pre-sale services	**85,173**	91,772
Property management consultancy services fee	**69,895**	45,166
	1,231,285	1,059,067
Community leasing, sales and other value-added services		
Common area rental assistance	**36,094**	37,082
Usage fees from online promotion services and leasing information system software	**137,208**	74,015
Residential and retail units rental and sales assistance	**17,186**	19,696
Office sublet and other value-added services	**86,316**	26,063
	276,804	156,856
Engineering services		
Installation service fees from provision of engineering services	**15,478**	36,224
Services fee from provision of repair and maintenance services	**47,631**	47,159
Equipment leasing income	**41,287**	31,275
Services fee from provision of energy-saving services	**16,213**	11,488
	120,609	126,146
	1,628,698	1,342,069

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 2017 and 2016, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. OTHER GAINS AND LOSSES AND OTHER INCOME

	2017 RMB'000	2016 RMB'000
Other gains and losses		
Impairment loss recognised on		
— trade and other receivables	**(17,808)**	(11,726)
— payments on behalf of residents under commission basis	**(31,963)**	(17,274)
Gain on disposal of subsidiaries (note 38)	**48,285**	–
Loss on disposal of property, plant and equipment	**(3,095)**	(4,364)
Exchange (loss) gain	**(1,309)**	1,937
Others	**787**	559
	(5,103)	(30,868)
Other income		
Interest income from		
— banks	**5,154**	4,824
— loan receivables	**28,715**	298
— non-current advance to staffs	**558**	519
— a director	**14**	12
Unconditional government grants	**11,336**	9,385
Imputed interest income on non-current interest-free trade receivables	**401**	1,128
Rental income from investment properties (note)	**612**	68
Change in fair value of financial assets at FVTPL	**5,896**	2,828
Others	**29**	500
	52,715	19,562

Note: Direct operating expenses incurred for investment properties that generated rental income during the years ended 2017 and 2016 were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interests on:		
— amount due to a non-controlling shareholder of a subsidiary (note 45(a))	–	(109)
— amount due to a fellow subsidiary (note 45(a))	(2,271)	(702)
— corporate bonds (note 30)	(33,213)	(14,436)
— assets backed securities issued (note 31)	(19,332)	(6,863)
— borrowings	(35,420)	(15,894)
	(90,236)	(38,004)

8. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Current year	(123,331)	(95,422)
(Under) over provision in respect of prior years	(297)	768
	(123,628)	(94,654)
Singapore EIT	(96)	(206)
	(123,724)	(94,860)
Deferred tax (note 22)		
Current year	17,743	13,078
	(105,981)	(81,782)

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 RMB1,325,156,000 (2016: RMB879,594,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. INCOME TAX EXPENSE *(Continued)*

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

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**456,630**	297,793
Tax at the PRC EIT rate of 25% (2016: 25%)	**114,158**	74,448
Tax effect of expenses not deductible for tax purpose (note a)	**16,469**	23,853
Tax effect of non-taxable income	**(12,975)**	(3,744)
Tax effect of tax losses not recognised	**4,556**	3,651
Under (over) provision in prior years	**297**	(768)
Utilisation of tax loss previously not recognised	**(261)**	(406)
Tax effect of deductible temporary difference not recognised	**2,368**	3,180
Tax effect of share of results of associates	**70**	(199)
Tax effect of share of results of joint ventures	**(497)**	65
Tax effect of different tax rates of certain subsidiaries (note b)	**(18,403)**	(17,509)
Tax effect of adopting prescribed tax calculation method by the PRC subsidiaries (note c)	**(6)**	(1,114)
Others	**205**	325
Income tax expense	**105,981**	81,782

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 2017, (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) twelve 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 the 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 defers the payment of certain tax provision due to combining the tax losses of loss making communities.

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:

	2017 RMB'000	2016 RMB'000
Directors' fee	–	–
Other emoluments		
— salaries and other benefits	2,835	3,518
— retirement benefits scheme contributions	10	12
— share-based payment expenses	2,203	6,649
	5,048	10,179

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 b)	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive directors						
Mr. Tang Xuebin	–	362	374	5	220	961
Mr. Dong Dong	–	274	385	5	233	897
Non-executive directors						
Mr. Pan Jun	240	–	–	–	332	572
Mr. Lam Kam Tong	240	–	–	–	290	530
Mr. Zhou Hongyi	240	–	–	–	258	498
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	290	530
Mr. Liao Jianwen	240	–	–	–	290	530
Mr. Xu Xinmin	240	–	–	–	290	530
	1,440	636	759	10	2,203	5,048

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For the year ended 31 December 2017

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

	Fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note b)	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 a)	–	429	106	2	382	919
Non-executive directors						
Mr. Pan Jun	240	–	–	–	1,249	1,489
Mr. Lam Kam Tong	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
	1,440	1,064	1,014	12	6,649	10,179

Notes:

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

(b) 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 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 director for the years ended 31 December 2017 and 2016. The remunerations of the remaining 4 individuals for the years ended 31 December 2017 and 2016, which were individually ranging from HKD1,000,000 to HKD1,500,000 set out below:

	2017 **RMB'000**	2016 RMB'000
Employees		
— salaries and other benefits	**2,784**	2,871
— retirement benefits scheme contributions	**17**	19
— share-based payment expenses	**1,256**	4,734
	4,057	7,624

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

10. PROFIT FOR THE YEAR

	2017 **RMB'000**	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,048**	10,179
Other staffs' salaries and other benefits	**559,976**	510,054
Retirement benefits scheme contributions	**49,312**	48,534
Share-based payment expenses	**43,100**	72,392
Total staff costs	**657,436**	641,159
Auditors' remuneration	**3,219**	2,858
Amortisation of intangible assets	**28,702**	23,108
Depreciation for property, plant and equipment	**38,187**	27,779
Minimum lease payments under operating leases in rented premises	**49,433**	10,614
Allowance for doubtful debts on trade receivables	**16,712**	11,522
Impairment loss recognised on payments on behalf of residents under commission basis	**31,963**	17,274

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For the year ended 31 December 2017

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year:		
2016 final dividend HK10 cents (2016: 2015 final dividend HK10.00 cents) per share	**86,718**	84,695

Subsequent to 31 December 2017, a final dividend for the year ended 31 December 2017 of HK15.00 cents, equivalent to RMB12.11 cents (2016: HK10.00 cents, equivalent to RMB8.95 cents) per share amounting to RMB159,180,000 in aggregate 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:

	2017	2016
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**320,657**	187,785
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**996,174**	1,000,119
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**996,174**	1,000,119

For the years ended 31 December 2017 and 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 in both 2017 and 2016.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	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)	–	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**
Additions	**147**	**9,921**	**5,249**	**346**	**84,659**	**100,322**
Acquisitions of subsidiaries (note 37)	**–**	**–**	**280**	**99**	**–**	**379**
Transfer	**–**	**–**	**50,257**	**–**	**(50,257)**	**–**
Disposals	**(13,990)**	**(2)**	**(1,120)**	**(632)**	**–**	**(15,744)**
Disposals of subsidiaries (note 38)	**–**	**(13)**	**(42,558)**	**(225)**	**(28,440)**	**(71,236)**
At 31 December 2017	**30,653**	**19,751**	**167,278**	**3,912**	**26,783**	**248,377**
ACCUMULATED DEPRECIATION						
At 1 January 2016	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**
Provided for the year	**1,042**	**2,040**	**34,052**	**1,053**	**–**	**38,187**
Eliminated on disposals	**(2,318)**	**–**	**(988)**	**(546)**	**–**	**(3,852)**
Eliminated on disposals of subsidiaries (note 38)	**–**	**(5)**	**(8,317)**	**(214)**	**–**	**(8,536)**
At 31 December 2017	**90**	**6,108**	**70,801**	**2,699**	**–**	**79,698**
CARRYING VALUES						
At 31 December 2017	**30,563**	**13,643**	**96,477**	**1,213**	**26,783**	**168,679**
At 31 December 2016	43,130	5,772	109,116	1,918	20,821	180,757

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For the year ended 31 December 2017

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 2016	88,804
Additions	4,354
Disposals	(4,825)
Disposal of a subsidiary (note 38(a))	(1,308)
Net increase in fair value recognised in profit or loss	5,503
At 31 December 2016	**92,528**
Additions	**22,357**
Disposals	**(43,578)**
Disposal of a subsidiary (note 38(a))	**(3,593)**
Net increase in fair value recognised in profit or loss	**2,840**
At 31 December 2017	**70,554**
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2017	**1,996**
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2016	**4,092**

The fair values of the Group's completed investment properties at 31 December 2017 and 2016 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES *(Continued)*

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.

The fair values of these investment properties as at 31 December 2017 and 2016 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2017 and 2016 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	**Fair value as at 31 December 2017** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Range**	**Sensitivity**
Investment properties	70,554 (2016: 92,528)	Shenzhen, Huizhou, Wuhan, Dongguan, Tianjin, Shanghai, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang	Level 3	Direct comparison method — based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property.	Market unit sales price (RMB/sqm)	4,900 – 29,000 (2016: 4,750 – 30,400)	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.

15. INTERESTS IN ASSOCIATES

	2017 **RMB'000**	2016 RMB'000
Cost of investment, unlisted	**22,243**	6,000
Share of post-acquisition results, net of dividends received	**1,449**	1,728
	23,692	7,728

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For the year ended 31 December 2017

15. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the Group's interests in principal 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 held by the Group at 31 December		Proportion of voting right held by the Group at 31 December		Principal activity
				2017	2016	**2017**	2016	
深圳市越眾物業管理有限公司 Shenzhen Yuezhong Property Management Co., Ltd. ("Shenzhen Yuezhong") (note a)	PRC	1,000	1,000	**50%**	50%	**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") (note b)	PRC	10,000	10,000	**49%**	49%	**49%**	49%	Provision of network consultancy services
徐州市濱湖花園物業管理有限公司 Xuzhou Binhu Garden Property Management Co., Ltd. ("Xuzhou Binhu")	PRC	3,000	3,000	**10%**	(note c)	**25%**	(note c)	Provision of property management services
上海同淶機電設備有限公司 Shanghai Tonglai Mechanical & Electrical Equipment Co., Ltd. ("Tonglai Equipment") (note d)	PRC	1,000	1,000	**40%**	–	**40%**	–	Provision of equipment installation services
深圳市彩浪投資有限公司 Shenzhen Cailang Investment Co., Ltd. ("Shenzhen Cailang") (note e)	PRC	10,000	7,100	**45%**	–	**45%**	–	Provision of investment consultancy services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yuezhong. Other than the Group, Shenzhen Yuezhong has two other shareholders which hold the remaining equity interest in Shenzhen Yuezhong 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 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 at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Qianhai. Other than the Group, Shenzhen Qianhai has another shareholder which hold the 51% of Shenzhen Qianhai. 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 is accounted for as an associate of the Group.

(c) During the year ended 31 December 2017, the Group disposed of its 80% equity interest in Xuzhou Binhu and retained 10% equity interest in Xuzhou Binhu. The Group had lost control over Xuzhou Binhu upon the completion of the disposal (details are set out in note 38(b)). Pursuant to the amended shareholder's agreement, all the strategic financial and operating decision required approval by two-third of the members of the board of directors in Xuzhou Binhu, of which 1 director and 3 directors are to be nominated by the Group and the two other unrelated shareholders, respectively. As the Group holds no more than two-third of the voting power in the board of directors, therefore, Xuzhou Binhu is accounted for as an associate of the Group.

(d) During the year ended 31 December 2017, the Group acquired Tonglai Equipment through the acquisition of Shanghai Tonglai. Details of the aforesaid acquisition were set out in note 37.

(e) Pursuant to the shareholder's agreement, the Group has the right to cast 45% of the votes of Shenzhen Cailang at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Cailang. Other than the Group, Shenzhen Cailang has the other two unrelated shareholders which hold the equity interest in Shenzhen Cailang of 15% and 40%, 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 Cailang 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.

	2017 **RMB'000**	2016 RMB'000
Aggregate information of associates that are not individually material		
The Group's share of (loss) profit and other comprehensive (expense) income	**(279)**	796

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16. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investment, unlisted	**43,057**	250
Share of post-acquisition results, net of dividends received	**2,588**	600
	45,645	850

Particulars of the Group's interests in principal joint ventures at the reporting dates are as follows:

Name of entity	Place of establishment and operation	Registered capital RMB'000	Paid-up capital RMB'000	Proportion of ownership interest held by the Group at 31 December 2017	Proportion of ownership interest held by the Group at 31 December 2016	Proportion of voting right held by the Group at 31 December 2017	Proportion of voting right held by the Group at 31 December 2016	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") (note a)	PRC	500	500	**50%**	50%	**50%**	50%	Provision of engineering services
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan")	PRC	5,556	1,556	**46%**	(note b)	**46%**	(note b)	Provision of parking management services
北京大有天久停車管理服務有限公司 Beijing Dayou Tianjiu Parking Management Services Co., Ltd. ("Beijing Dayou") (note c)	PRC	1,000	1,000	**34%**	–	**34%**	–	Provision of parking engineering services

16. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

(a) Pursuant to the shareholder agreement, the Group and Guilin Zhenan Property Service Co., Ltd. (桂林市振安物業服務有限公司) ("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.

(b) During the year ended 31 December 2017, the paid-up capital of Shenzhen Yixuan was increased due to capital injection by an independent third party and the Group's shareholding in Shenzhen Yixuan was diluted from 51% to 46%. Upon the capital injection by the independent third party, the Group had lost control over Shenzhen Yixuan and details of the deemed disposed of Shenzhen Yixuan were set out in note 38(b). Pursuant to the amended shareholder's agreement, the Group has the right to cast 46% of the votes of Shenzhen Yixuan at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10%. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Shenzhen Yixuan, it is accounted for as a joint venture of the Group.

(c) During the year ended 31 December 2017, the Group acquired Beijing Dayou through acquisition of Shanghai Tonglai (details are set out in note 37). Pursuant to the shareholder's agreement, the Group and Mr. Zhang Jun (張 軍) held 34%, 40% equity interest in Beijing Dayou, respectively. The remaining 26% equity interest in Beijing Dayou was held by several unrelated individuals. All the strategic financial and operating decision required approval by two-third voting power in the shareholders' meeting, therefore, Beijing Dayou is jointly controlled by the Group and Mr. Zhang Jun. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Beijing Dayou, it is accounted for as a joint venture of the Group.

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

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16. INTERESTS IN JOINT VENTURES *(Continued)*

Shenzhen Yixuan

	2017 RMB'000	2016 RMB'000
Current assets	**28,828**	N/A
Non-current assets	**107,200**	N/A
Current liabilities	**75,138**	N/A
The above amounts of assets and liabilities include the followings:		
Intangible assets	**38,475**	N/A
Property, plant and equipment	**68,725**	N/A
Other receivables and prepayment	**28,131**	N/A
Other payables and accruals	**59,790**	N/A
Profit and other comprehensive income for the period from the date of disposal to 31 December 2017	**4,191**	N/A
The above profit for the period include the followings:		
Depreciation of property, plant and equipment	**5,224**	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Yixuan recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of Shenzhen Yixuan	**60,890**	N/A
Proportion of the Group's ownership interest in Shenzhen Yixuan	**46%**	N/A
	28,009	N/A
Goodwill	**16,519**	N/A
Carrying amount of the Group's interest in Shenzhen Yixuan	**44,528**	N/A

16. INTERESTS IN JOINT VENTURES *(Continued)*

Shenzhen Yixuan *(Continued)*

Aggregate information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit (loss) and other comprehensive income (expense)	**60**	(258)
Aggregate carrying amount of the Group's interests in these joint ventures	**1,117**	850

17. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**2017 RMB'000**	2016 RMB'000
Unlisted equity securities at fair value	(a)	**75,000**	73,103
Unlisted equity securities at cost	(b)	**73,457**	60,200
		148,457	133,303

Notes:

(a) The equity investment represented the Group's investment in equity securities issued by 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"), a fellow subsidiary of the Company, which 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. In 2015, Home E&E was listed on National Equities Exchange and Quotations ("NEEQ"). On 27 December 2017, the shares of Home E&E were delisted from NEEQ. The fair value of the equity investment as at 31 December 2017 has been arrived at on the basis of valuations carried out by an independent qualified professional valuer by reference to recent transaction prices, where appropriate.

(b) The unlisted equity securities represented the investments in Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司) ("Wuhu Gopher"), Shenzhen Baicheng Jinggong Co., Ltd. (深圳百城精工有限公司) ("Baicheng Jinggong") and several entities. At 31 December 2016, the investments owned by the Group represented 6.1% and 11.0% of the equity interests of Wuhu Gopher and Baicheng Jinggong amounting to RMB60,000,000 and RMB200,000, respectively. In addition to Wuhu Gopher and Baicheng Jinggong, the Group had invested RMB13,257,000 in several property management entities in aggregate, which represented the equity interests ranging from 5% to 15% in the investees, during the year ended 31 December 2017.

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

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For the year ended 31 December 2017

18. INTANGIBLE ASSETS

	Property management contracts and customer relationship RMB'000
COST	
At 1 January 2016	169,448
Acquired on acquisition of subsidiaries (note 37)	81,378
At 31 December 2016	250,826
Acquired on acquisition of subsidiaries (note 37)	59,445
At 31 December 2017	**310,271**
AMORTISATION	
At 1 January 2016	17,415
Provided for the year	23,108
At 31 December 2016	40,523
Provided for the year	28,702
At 31 December 2017	**69,225**
CARRYING VALUES	
At 31 December 2017	**241,046**
At 31 December 2016	210,303

The property management contracts and customer relationship were acquired from third parties through the acquisition of subsidiaries during the years ended 31 December 2017 and 2016.

The intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months.

19. GOODWILL

	RMB'000
COST	
At 1 January 2016	576,504
Arising on acquisition of business (note 37)	173,946
At 31 December 2016	750,450
Arising on acquisition of business (note 37)	187,415
Disposal of subsidiaries (note 38)	(19,555)
At 31 December 2017	**918,310**
IMPAIRMENT	
At 31 December 2016 and 2017	870
CARRYING VALUES	
At 31 December 2017	**917,440**
At 31 December 2016	749,580

For the purpose of impairment testing, goodwill above has been allocated to nine individual cash-generating units ("CGUs"), comprising Shenzhen region, southern region (excluding Shenzhen), eastern region, southwestern region, northeastern region, northwestern region, northern region, central region and oversea region.

During the years ended 31 December 2017 and 2016, the management of the Group determined that there is no impairment of any of its CGUs containing goodwill arising from the acquisition of businesses.

The recoverable amounts of the above CGUs have 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 2016 and 2017. The cash flows beyond the five-year period are extrapolated using zero growth rate.

Cash flow projections during the budget period for the CGUs are based on the management's key estimation of cash inflows/outflows including revenue, gross profit and operating expenses. The assumptions and estimation are based on the CGUs 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 amounts to exceed its recoverable amounts.

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20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2017 RMB'000	2016 RMB'000
Trade receivables		**410,592**	284,667
Retention receivables		**679**	4,008
Invoices to be issued	(a)	**20,869**	14,948
		432,140	303,623
Less: Allowance for doubtful debts		**(39,441)**	(24,851)
Total trade receivables		**392,699**	278,772
Other receivables and prepayments:			
Deposits		**53,172**	42,137
Advances to staffs	(b)	**39,376**	46,025
Prepayments to suppliers		**87,233**	26,468
Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia")		**25,418**	16,760
Payments on behalf of residents under lump sum basis	(c)	**58,642**	30,102
Payments on behalf of residents for residential communities under consultancy service arrangements	(d)	**13,792**	27,861
Receivables from former shareholders of subsidiaries		**13,870**	2,795
Others		**31,237**	11,368
		322,740	203,516
		715,439	482,288
Classified as:			
Non-current			
Trade receivables	(e)	**10,983**	8,247
Other receivables and prepayments	(b)	**6,989**	7,489
		17,972	15,736
Current			
Trade receivables		**381,716**	270,525
Other receivables and prepayments		**315,751**	196,027
		697,467	466,552
		715,439	482,288

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% per annum for the year ended 31 December 2017 and 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 RMB8,601,000 (2016: RMB8,716,000) granted to staff by the Group for their purchases of own properties. The housing loans bear interests at the rate ranging 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 RMB1,612,000 (2016: RMB1,227,000) to be repaid in one year are classified as current assets and the amount of RMB6,989,000 (2016: RMB7,489,000) 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.

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.

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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:

	2017	2016
	RMB'000	RMB'000
0–30 days	**149,079**	92,158
31–90 days	**74,842**	43,229
91–180 days	**69,137**	44,130
181–365 days	**48,634**	58,878
Over 1 year	**68,900**	46,272
	410,592	284,667

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 disposal 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 RMB222,072,000 (2016: RMB154,499,000), 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

	2017 **RMB'000**	2016 RMB'000
0–90 days	**74,842**	37,690
91–180 days	**69,137**	40,375
181–365 days	**40,111**	43,335
Over 1 year	**37,982**	33,099
	222,072	154,499

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 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.

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

Movement in the allowance for doubtful debts

	2017 RMB'000	2016 RMB'000
Balance at the beginning of the year	**24,851**	14,987
Impairment losses recognised on receivables	**16,712**	11,522
Amounts written off as uncollectible	**(2,122)**	(1,658)
Balance at the end of the year	**39,441**	24,851

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB39,441,000 (2016: RMB24,851,000), 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	**2017 RMB'000**	2016 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)	**13,000**	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)	**32,500**	9,750
Others	(d)	**38,844**	–
Fixed-rate loan receivables		**84,344**	227,250
Less: Amounts shown under non-current assets		**(44,794)**	(9,750)
Amounts shown under current assets		**39,550**	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 Company, 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 carried interest at 12% per annum and was secured by 100% equity interest of Xi'an Dilian and 100% equity interests of two unlisted companies, whose ultimate controlling shareholder is Ms. Cui Ronghua 崔榮華. The loan receivable has been fully repaid in 2017.

(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 interest at 12% per annum and is unsecured. As at 31 December 2016, the outstanding balance was RMB67,500,000. For the remaining balance amounting to RMB13,000,000 as at 31 December 2017, the Group entered into a supplementary agreement with Shenzhen Qianxun regarding the extension of the maturity date from June 2017 to January 2018. At the date these consolidated financial statements are authorised for issuance, the balance has been fully repaid.

(c) In October 2016, the Group entered into an agreement with Mr. Hu Zhubang 胡祝幫, the controlling shareholder of Shanghai Yinwan, which cooperate with the Group on the basic platform technology and ecosystem vertical services, regarding the fund provision of RMB32,500,000 with maturity date in December 2019. The fund advanced to Shanghai Yinwan carries interest at 12% per annum and is secured by 5.72% equity interest in Shanghai Yinwan.

(d) During the year ended 31 December 2017, the Group has entered into loan agreements with several independent third parties, regarding the fund provision of RMB38,844,000. The loans carry interests ranging from 10.5% to 15.0% per annum and will mature from January 2018 to January 2020. The loans are guaranteed and pledged by equity interest in a borrower or properties and land use rights held by the independent third parties. At 31 December 2017, the amounts of RMB26,550,000 are due in one year and are classified as current assets and the amounts of RMB12,294,000 are due after one year and are classified as non-current assets.

22. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2017 and 2016:

	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 2016	19,722	(987)	(15,038)	–	(38,008)	(34,311)
Acquisition of subsidiaries (note 37)	–	–	–	–	(20,345)	(20,345)
Disposal of subsidiaries (note 38)	(83)	–	2	–	–	(81)
Charge (credit) to profit or loss	6,867	(472)	906	–	5,777	13,078
Credit to other comprehensive income	–	–	–	(5,776)	–	(5,776)
At 31 December 2016	26,506	(1,459)	(14,130)	(5,776)	(52,576)	(47,435)
Acquisition of subsidiaries (note 37)	–	2,050	–	–	(14,861)	(12,811)
Disposal of subsidiaries (note 38)	–	–	546	–	–	546
Charge (credit) to profit or loss	10,836	(3,191)	2,922	–	7,176	17,743
Credit to other comprehensive income	–	–	–	(474)	–	(474)
At 31 December 2017	**37,342**	**(2,600)**	**(10,662)**	**(6,250)**	**(60,261)**	**(42,431)**

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For the year ended 31 December 2017

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:

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets	**37,342**	26,506
Deferred tax liabilities	**(79,773)**	(73,941)
	(42,431)	(47,435)

The Group had unutilised tax losses of RMB38,755,000 (2016: RMB23,469,000). 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 RMB182,524,000 (2016: RMB129,709,000). A deferred tax asset has been recognised in respect of RMB149,368,000 (2016: RMB106,024,000). No deferred tax asset has been recognised for the remaining amounts of RMB33,156,000 (2016: RMB23,685,000), 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 2017, the Group has made deposits of RMB52,793,000 (2016: RMB142,537,000) in relation to the proposed acquisition of business through acquisition of Hangzhou Zhuosheng Property Management Co., Ltd. (杭州卓盛物業管理有限公司), Siyang Jiahua Property Management Co., Ltd. (泗陽嘉華物業管理有限公司), Jiangsu Zhiyuan Property Management Co., Ltd. (江蘇志遠物業管理有限公司), Suqian Zhongshang Property Management Co., Ltd. (宿遷中尚物業管理有限公司), Liuzhou Zhongshi Property Services Co., Ltd. (柳州市中實物業服務有限責任公司), Fuzhou Rongxin Property Services Co., Ltd. (撫州市榮鑫物業服務有限公司) and Shenzhen Xuancai Life Network Technology Co., Ltd. (深圳市炫彩生活網路科技有限公司) from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

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

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

	2017 **RMB'000**	2016 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**149,075**	136,602
Less: Progress billing	**(119,160)**	(112,330)
	29,915	24,272
Represented by:		
Amounts due from contract customers within one year	**43,693**	41,018
Amounts due to contract customers within one year	**(13,778)**	(16,746)
	29,915	24,272

Retentions held by customers for contract works for installation contracts was included in trade receivables at 31 December 2017 and 2016. No significant advance was received from customers prior to commencement of contract works at 31 December 2017 and 2016.

25. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	2017 **RMB'000**	2016 RMB'000
Receivables	**406,827**	259,802
Payables	**(157,872)**	(156,442)

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.

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

Movements of allowance for doubtful debts

	2017 **RMB'000**	2016 RMB'000
At beginning of the year	**54,708**	37,434
Additional allowance for doubtful debts	**31,963**	17,274
Amounts written off as uncollectible	**(3,209)**	–
At end of the year	**83,462**	54,708

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 planned 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 AT FVTPL

Financial assets at FVTPL mainly include money market funds investment issued by a reputable securities corporation.

The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis.

The fair value of the money market funds investment at 31 December 2017 and 2016 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2017, the principal of the investments are RMB191,898,000 (2016: RMB83,275,000). In the opinion of directors, the fair value of investment at 31 December 2017 approximated to their principal amount.

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27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits as at 31 December 2017 amounting to RMB377,175,000 (2016: RMB492,675,000) 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 3.70% (2016: 0.35% to 3.70%) and from 0.01% to 1.50% (2016: 0.01% to 1.50%) per annum, respectively.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	Notes	**2017** **RMB'000**	2016 RMB'000
Trade payables		**221,172**	113,991
Other payables and accruals:			
Receipts on behalf of residents under lump sum basis	(a)	**54,641**	54,250
Receipts on behalf of residents for residential communities under consultancy services arrangement		**10,033**	9,978
Receipts on behalf of online platform merchants		**3,055**	6,157
Advances from customers	(b)	**151,131**	133,679
Deposits received		**89,759**	80,834
Other tax payable		**67,271**	52,698
Rental payable		**1,273**	436
Accrued staff costs		**85,454**	78,768
Provision for retirement benefit contributions		**96,821**	78,807
Consideration payables for acquisition of subsidiaries		**4,937**	48,467
Other payables and accruals		**60,584**	52,103
		624,959	596,177
Total		**846,131**	710,168

Notes:

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

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

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

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2017 RMB'000	2016 RMB'000
0–60 days	**114,027**	74,277
61–180 days	**79,717**	26,521
181–365 days	**18,395**	9,310
Over 1 year	**9,033**	3,883
	221,172	113,991

29. BORROWINGS

	Notes	2017 RMB'000	2016 RMB'000
Bank loans		**635,381**	652,034
Other loans	(a)	**89,219**	8,260
		724,600	660,294
Secured	(b)	**422,360**	561,684
Unsecured		**302,240**	98,610
		724,600	660,294
Variable-rate borrowings		**547,035**	448,361
Fixed-rate borrowings		**177,565**	211,933
		724,600	660,294
Carrying amounts repayable:			
Within one year		**454,030**	161,506
More than one year, but not exceeding two years		**250,348**	261,454
More than two years, but not exceeding five years		**20,222**	229,074
Over five years		**–**	8,260
		724,600	660,294
Less: Amounts due within one year shown under current liabilities		**(454,030)**	(161,506)
Amounts shown under non-current liabilities		**270,570**	498,788

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29. BORROWINGS *(Continued)*

Notes:

(a) Other loans amounting to RMB36,860,000 (2016: RMB8,260,000) represented loans provided by a trust company, which is unsecured and unguaranteed and carried at fixed interest rates ranging from 8% to 14% (2016: 8%) per annum.

Other loans amounting to RMB52,359,000 (2016: nil) represented loans provided by a trust company, which is unsecured and guaranteed by certain subsidiaries, a joint venture and a fellow subsidiary of the Company and carried at variable rates based on Benchmark Lending Rate of the People's Bank of China ("Benchmark Rate") plus a premium.

(b) The securities provided by the Group of the secured loans were the pledged bank deposits of the Group and equity interests of certain subsidiaries of the Company.

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements. Except for a secured bank borrowing amounting to RMB21,633,000 (2016: nil) denominated in HKD, the remaining borrowings are denominated in RMB.

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

	2017	2016
Variable-rate bank loans		
Benchmark Rate	**5.66% to 6.09%**	4.81% to 5.22%
Benchmark Deposit Rate of the People's Bank of China	**2.10%**	2.10%
Interbank Offered Benchmark Rate	**5.30% to 5.66%**	5.66%
Variable-rate other loans Benchmark Rate	**6.54%**	–
Fixed-rate bank loans	**3.45% to 5.22%**	3.45% to 5.22%
Fixed-rate other loans	**8.00% to 14.00%**	8.00%

30. CORPORATE BONDS

	Notes	**2017 RMB'000**	2016 RMB'000
Domestic Corporate Bonds I	(a)	**104,977**	103,944
Domestic Corporate Bonds II	(b)	**301,394**	298,641
Domestic Corporate Bonds III	(c)	**146,231**	–
		552,602	402,585
Carrying amounts repayable:			
Within one year		**16,300**	14,436
More than one year, but not exceeding two years		**391,797**	–
More than two years, but not exceeding five years		**144,505**	388,149
		552,602	402,585
Less: Amounts due within one year shown under current liabilities		**(16,300)**	(14,436)
Amounts shown under non-current liabilities		**536,302**	388,149

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30. CORPORATE BONDS *(Continued)*

Notes:

(a) In January 2016, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) ("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 Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) ("Fantasia China"), carrying a nominal interest at rate of 6.7 % per annum and interest is payable annually, commencing in January 2017. 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 2017. 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 I") 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 I. Put Options I 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 I are not separated from liability component.

(c) In November 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000 ("Domestic Corporate Bonds III"). The Domestic Corporate Bonds III are guaranteed by Fantasia China, carrying a nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in November 2018. The issue price is 96.3% of the principal. The effective interest rate is 8.4% per annum. The Domestic Corporate Bonds III will mature in November 2020.

The movements of corporate bonds during the year are set out below:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**402,585**	–
Net proceeds on the date of issuance of corporate bonds	**144,504**	388,149
Interest charge	**33,213**	14,436
Payment of interests	**(27,700)**	–
At 31 December	**552,602**	402,585

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31. ASSETS BACKED SECURITIES ISSUED

	2017 RMB'000	2016 RMB'000
Assets backed securities issued	**227,737**	275,084
Carrying amounts repayable:		
Within one year	**42,533**	37,642
More than one year, but not exceeding two years	**56,986**	52,236
More than two years, but not exceeding five years	**128,218**	185,206
	227,737	275,084
Less: Amounts due within one year shown under current liabilities	**(42,533)**	(37,642)
Amounts shown under non-current liabilities	**185,204**	237,442

In August 2016, Shenzhen Colour Life issued assets backed securities ("ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The ABS were issued at discount of 5.0% 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 II") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Options II held by the ABS holders are regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options II are not separated from liability component.

The movement of the ABS during the year is set out below:

	2017 RMB'000	2016 RMB'000
At 1 January	**275,084**	–
Net proceeds on the date of issuance of ABS	**–**	284,930
Interest expenses	**19,332**	6,863
Repayment of principal	**(51,250)**	(12,500)
Interest paid	**(15,429)**	(4,209)
At 31 December	**227,737**	275,084

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32. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HKD0.1 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	**50,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2016, 31 December 2016	1,000,119	100,012
Cancelled upon repurchase of shares	(4,378)	(438)
At 31 December 2017	**995,741**	**99,574**

	Amount RMB'000
Shown in the consolidated financial statements:	
At 31 December 2017	78,945
At 31 December 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 Persons"). 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 2017, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 80,678,000 (2016: 90,711,000) of HKD0.1 each, representing 8.1% (2016: 9.1%) 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

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For the year ended 31 December 2017

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 2017 and 2016:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2016 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2016 '000	Granted during the year '000	Lapsed during the year '000 (note)	Exercised during the year '000	Outstanding at 31 December 2017 '000
Directors	29 September 2014	N/A	560	–	(40)	–	520	–	–	–	520
		29/9/2014–28/9/2015	1,270	–	(206)	–	1,064	–	–	–	1,064
		29/9/2014–28/9/2016	1,270	–	(206)	–	1,064	–	–	–	1,064
		29/9/2014–28/9/2017	711	–	(163)	–	548	–	–	–	548
	30 April 2015	30/4/2015–29/4/2016	477	–	(41)	–	436	–	–	–	436
		30/4/2015–29/4/2017	477	–	(42)	–	435	–	–	–	435
		30/4/2015–29/4/2018	476	–	(41)	–	435	–	–	–	435
	18 March 2016	18/3/2016–17/3/2017	–	487	(60)	–	427	–	–	–	427
		18/3/2016–17/3/2018	–	487	(61)	–	426	–	–	–	426
		18/3/2016–17/3/2019	–	486	(60)	–	426	–	–	–	426
			5,241	1,460	(920)	–	5,781	–	–	–	5,781
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,680	–	(145)	–	5,535	–	(189)	–	5,346
		29/9/2014–28/9/2015	12,660	–	(1,037)	–	11,623	–	(545)	–	11,078
		29/9/2014–28/9/2016	12,660	–	(1,037)	–	11,623	–	(545)	–	11,078
		29/9/2014–28/9/2017	6,859	–	(891)	–	5,968	–	(357)	–	5,611
	30 April 2015	30/4/2015–29/4/2016	7,795	–	(1,551)	–	6,244	–	(511)	–	5,733
		30/4/2015–29/4/2017	7,795	–	(1,552)	–	6,243	–	(511)	–	5,732
		30/4/2015–29/4/2018	7,794	–	(1,551)	–	6,243	–	(511)	–	5,732
	18 March 2016	18/3/2016–17/3/2017	–	10,929	(445)	–	10,484	–	(2,288)	–	8,196
		18/3/2016–17/3/2018	–	10,929	(445)	–	10,484	–	(2,288)	–	8,196
		18/3/2016–17/3/2019	–	10,929	(446)	–	10,483	–	(2,288)	–	8,195
			61,243	32,787	(9,100)	–	84,930	–	(10,033)	–	74,897
Total			66,484	34,247	(10,020)	–	90,711	–	(10,033)	–	80,678
Exercisable at the end of the year							38,109				57,268

Note: During the years ended 31 December 2017, 10,033,000 share options to employees were lapsed.

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 RMB45,303,000 (2016: RMB79,041,000) for the year ended 31 December 2017 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 authorised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 2017, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted to eligible directors and employees of the Company under the Scheme – Fantasia Holdings is 17,190,000 (2016: 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	29/8/2012–28/8/2021
			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

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For the year ended 31 December 2017

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 2017 and 2016:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2016 '000	Granted during the year '000	Cancelled/ lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2016 and 2017 '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				17,190

Note: No expense for the year ended 31 December 2017 and 2016 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

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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 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 ended 31 December 2017, total of 159,000 (2016: 1,607,000) 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 was deducted from shareholders’ equity.

As at 31 December 2017, 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 fellow subsidiaries, non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures as disclosed in note 45(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

	2017 **RMB’000**	2016 RMB’000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,501,062**	2,225,739
Financial assets at FVTPL	**191,898**	83,275
AFS investments	**148,457**	133,303
Financial liabilities		
Amortised cost	**1,987,822**	1,768,515

36. FINANCIAL INSTRUMENTS *(Continued)*

(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, associates, joint ventures and a director, financial assets at FVTPL, AFS 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, associates, joint ventures 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.

Market risk

(i) Currency risk

The Group has bank balances and bank borrowings which are 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:

	2017	2016
	RMB'000	RMB'000
Assets		
Hong Kong Dollars ("HKD")	**13,772**	12,754
Singapore Dollars ("SGD")	**3,955**	3,131
Liabilities		
Hong Kong Dollars ("HKD")	**21,633**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD and SGD 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, cash and bank borrowings. 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

	2017	2016
	RMB'000	RMB'000
HKD		
Increase (decrease) in profit for the year	**590**	(957)
SGD		
Decrease in profit for the year	**(297)**	(235)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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, amounts due from a director and a fellow subsidiary (see notes 29, 30, 31 and 45(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.

Sensitivity analysis

Bank balances, pledged bank deposits and bank borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances, pledged bank deposits and bank borrowings at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2017 (2016: 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 for the year would have increased/decreased by RMB1,287,000 (2016: RMB1,498,000).

Credit risk

As at 31 December 2017, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 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, associates, joint ventures 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.

The Group had no concentration of credit risk in respect of the payments on behalf of residents from residential communities under commission basis and payment on behalf of residents from residential communities under lump sum basis included in other receivables, 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% (2016: 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 ensures 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 RMB724,600,000 (2016: RMB660,294,000) (note 29), corporate bonds of RMB552,602,000 (2016: RMB402,585,000) (note 30) and assets backed securities issued of RMB227,737,000 (2016: RMB275,084,000) (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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.

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 years RMB'000	1 year to 6 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2017							
Trade and other payables	–	–	282,023	–	–	282,023	282,023
Receipts on behalf of residents	–	157,872	–	–	–	157,872	157,872
Amounts due to fellow subsidiaries	16.53	1,995	396	1,188	4,351	7,930	5,850
Amounts due to non-controlling shareholders of the subsidiaries	–	16,472	–	–	–	16,472	16,472
Amounts due to associates	–	13,513	–	–	–	13,513	13,513
Amounts due to joint ventures	–	7,153	–	–	–	7,153	7,153
Borrowings							
– variable-rates	3.38	–	89,876	239,802	233,715	563,393	547,035
– fixed-rates	5.59	–	101,174	35,041	52,714	188,929	177,565
Corporate bonds	6.95	–	6,700	31,500	598,700	636,900	552,602
Assets backed securities issued	5.83	–	17,224	51,892	196,943	266,059	227,737
		197,005	497,393	359,423	1,086,423	2,140,244	1,987,822
As at 31 December 2016							
Trade and other payables	–	–	217,144	–	–	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
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
		199,208	314,556	176,583	1,252,020	1,942,367	1,768,515

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For the year ended 31 December 2017

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 value as at 31 December		**Fair value hierarchy**
	2017	2016	
	RMB'000	RMB'000	
Financial assets at FVTPL	**191,898**	83,275	Level 2
Unlisted equity securities classified as AFS investments	**75,000**	73,103	Level 2

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Fair value hierarchy	**2017 Carrying amount RMB'000**	**2017 Fair value RMB'000**	2016 Carrying amount RMB'000	2016 Fair value RMB'000
Unlisted corporate bonds	Level 3	**552,602**	**569,672**	402,585	407,890
Assets backed securities issued	Level 3	**227,737**	**238,703**	275,084	289,245

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.

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For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2017

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
福建永嘉商業物業管理有限公司 Fujian Yongjia Commercial Property Management Co., Ltd.	PRC	March	60%	1,200
武漢天宇弘物業管理有限公司 Wuhan Tianyuhong Property Management Co., Ltd. ("Wuhan Tianyuhong")	PRC	March	80%	4,800
寶雞市聚豐弘遠物業管理有限公司 Baoji Jufeng Property Management Co., Ltd. ("Baoji Jufeng")	PRC	March	70%	3,500
九江中輝恒佳物業服務有限公司 Jiujiang Zhonghui Hengjia Property Services Co., Ltd. ("JiuJiang zhonghui")	PRC	March	100%	– (note)
深圳市前海微生活網絡服務有限公司 Shenzhen Qianhai Weishenghuo Internet Services Co., Ltd.	PRC	August	100%	– (note)
長沙市觀瀾湖物業服務有限公司 Changsha Guanlanhu Property Services Co., Ltd.	PRC	September	80%	30,000
南昌福田物業管理有限公司 Nanchang Futian Property Management Co., Ltd.	PRC	September	80%	11,980
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	PRC	September	100%	10,000

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37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration
				RMB'000
高郵市通揚物業服務有限公司 Gaoyou Tongyang Property Services Co., Ltd.	PRC	September	70%	3,300
成都浩佳物業服務有限公司 Chengdu Haojia Property Management Co., Ltd.	PRC	September	90%	15,800
武漢九坤捷城物業管理有限公司 Wuhan Jiukun Jiecheng Property Management Co., Ltd.	PRC	September	70%	– (note)
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Services Co., Ltd.	PRC	November	100%	39,700
本溪金利物業有限公司 Benxi Jinli Property Co., Ltd.	PRC	December	80%	6,200
上海同湬物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd. ("Shanghai Tonglai")	PRC	December	100%	100,000
上海友全物業管理有限公司 Shanghai Youquan Property Management Co., Ltd.	PRC	December	70%	12,652
濟南齊華物業管理有限公司 Jinan Qihua Property Management Co., Ltd.	PRC	December	51%	7,000

Note: The consideration was less than RMB1,000.

During the year ended 31 December 2017, the Group acquired 80%, 70% and 100% equity interest of Wuhan Tianyuhong and Baoji Jufeng and Jiu Jiang Zhonghui, respectively, from certain non-controlling shareholders of subsidiaries of the Company. Except for acquisitions of Wuhan Tianyuhong and Baoji Jufeng and Jiu Jiang Zhonghui, the remaining subsidiaries were acquired from independent third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016

Name of subsidiary 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. ("Chongqing Hongshan")	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

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For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

Name of subsidiary 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. ("Chengdu Hongpeng")	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

Note: The consideration was less than RMB1,000.

During the year ended 31 December 2016, all of the acquisitions were acquired from independent third parties.

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 of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Consideration transferred

	2017 **RMB'000**	2016 RMB'000
Cash consideration paid in current year	**140,860**	194,168
Deposit paid in prior years	**102,412**	14,891
Consideration payable due within one year included in other payables	**2,860**	45,153
	246,132	254,212

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:

	2017 **RMB'000**	2016 RMB'000
Property, plant and equipment	**379**	940
Interest in an associate	**453**	–
Interest in a joint venture	**207**	–
Intangible assets	**59,445**	81,378
Deferred tax assets	**2,050**	–
Inventories	**–**	240
Trade receivables	**10,297**	39,111
Other receivables and prepayments	**22,777**	11,792
Amounts due from certain subsidiaries of the Company	**32,806**	34,284
Amounts due from non-controlling shareholders of the subsidiaries	**39,212**	41,949
Payments on behalf of residents	**36,073**	9,108
Bank balances and cash	**64,985**	14,331
Trade payables	**(8,629)**	(12,219)
Other payables and accruals	**(39,632)**	(72,220)
Receipts on behalf of residents	**(63,367)**	(28,179)
Amounts due to certain subsidiaries of the Company	**(60,734)**	(9,535)
Amounts due to non-controlling shareholders of the subsidiaries	**(4,872)**	(93)
Amount due to an associate	**(14)**	–
Amount due to a joint venture	**(372)**	–
Tax liabilities	**(855)**	(2,826)
Deferred tax liabilities	**(14,861)**	(20,345)
	75,348	87,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Consideration transferred *(Continued)*

The trade and other receivables (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries) and payments on behalf of residents acquired with a fair value of RMB141,165,000 (2016: RMB136,244,000) as at the date of acquisitions during the year ended 31 December 2017, are approximate to gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	2017 RMB'000	2016 RMB'000
Consideration transferred	**246,132**	254,212
Add: Non-controlling interests	**16,631**	7,450
Less: Fair value of net identifiable assets acquired	**(75,348)**	(87,716)
Goodwill arising on acquisitions	**187,415**	173,946

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB16,631,000 (2016: RMB7,450,000) at the acquisition date during the year ended 31 December 2017.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2017 and 2016, 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 RMB59,445,000 (2016: RMB81,378,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Net cash outflows arising on acquisitions

	2017 **RMB'000**	2016 RMB'000
Cash consideration paid in current year	**(140,860)**	(194,168)
Bank balances and cash acquired	**64,985**	14,331
	(75,875)	(179,837)

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 2017 and 2016 are as follows:

	2017 **RMB'000**	2016 RMB'000
Revenue	**16,083**	134,646
Profit for the year	**1,987**	17,105

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 2017 and 2016 would be as follow:

	2017 **RMB'000**	2016 RMB'000
Revenue	**1,746,213**	1,452,134
Profit for the year	**357,198**	226,950

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 2017 and 2016 that actually would have been achieved had the acquisitions been completed on 1 January 2017 and 2016 nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary

For the year ended 31 December 2017

In March 2017, the Group disposed its entire equity interests in Shenzhen Huigang Property Management Co., Ltd. (深圳市匯港物業管理有限責任公司) ("Shenzhen Huigang") to an independent third party for a consideration of RMB5,500,000. Shenzhen Huigang is engaged in provision of property management services in the PRC.

For the year ended 31 December 2016

In October 2016, the Group disposed of its entire equity interests in Shenzhen Xingyanhang Real Estate Co., Ltd. (深圳市星彥行置業有限公司) ("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 above transaction is accounted for as disposal of a subsidiary. Details of the net assets disposed in respect of the above transaction are summarised below:

	2017 RMB'000	2016 RMB'000
Consideration satisfied by:		
Cash	**5,500**	13,000

Analysis of assets and liabilities over which control was lost:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**37**	–
Investment properties	**3,593**	1,308
Goodwill	**2,644**	–
Deferred tax assets	**–**	83
Trade receivables	**2,706**	–
Other receivables and prepayments	**1,285**	–
Tax recoverable	**161**	–
Amounts due from certain subsidiaries of the Company	**6,872**	199
Bank balances and cash	**232**	3,568
Trade payables	**(2,759)**	–
Other payables and accruals	**(1,146)**	(916)
Receipts on behalf of residents	**(792)**	–
Amounts due to fellow subsidiaries	**–**	(500)
Amounts due to certain subsidiaries of the Company	**(5,334)**	–
Amount due to a non-controlling shareholder	**(445)**	–
Deferred tax liabilities	**(546)**	(2)
Net assets disposed of	**6,508**	3,740

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of a subsidiary *(Continued)*

	2017 **RMB'000**	2016 RMB'000
Gain on disposal of a subsidiary:		
Consideration	**5,500**	13,000
Add: non-controlling interests	**1,376**	–
Less: net assets disposed of	**(6,508)**	(3,740)
	368	9,260
Net cash inflow arising on disposal:		
Cash consideration received	**5,500**	13,000
Bank balances and cash disposed	**(232)**	(3,568)
	5,268	9,432

(b) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, the Group disposed of its 80% equity interest in Xuzhou Binhu to an independent third party for a consideration of RMB3,680,000, resulting in loss of control upon completion of the transaction. The remaining 10% equity interest in Xuzhou Binhu is classified as interests in associates of the Group, as the Group can exercise significant influence over the relevant activities of Xuzhou Binhu. Xuzhou Binhu is engaged in provision of property management services in the PRC.

(ii) During the year ended 31 December 2017, the Group disposed of its 55.1% of equity interest in Xi'an Rongxin Property Management Co., Ltd. (西安榮鑫物業管理有限公司) ("Xi'an Rongxin") to Ms. Cui Ronghua 崔榮華, a non-controlling shareholder of a subsidiary and an independent third party, for the consideration of RMB10,389,000 and RMB10,000,000, respectively, resulting in loss of control upon completion of the transaction. The remaining 4.9% equity interest in Xi'an Rongxin is classified as AFS investments of the Group. Xi'an Rongxin is engaged in provision of property management services in the PRC.

(iii) During the year ended 31 December 2017, an independent third party contributed RMB10,000,000 to Shenzhen Yixuan. After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 51% to 46% and is classified as interests in joint ventures of the Group. Shenzhen Yixuan is engaged in provision of equipment leasing service in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of partial interests in subsidiaries resulting in loss of control *(Continued)*

For the year ended 31 December 2017 (Continued)

The above transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details of the net assets disposed of in respect of the above transactions are summarised below:

	RMB'000
Consideration and capital injection satisfied by:	
Cash	15,069
Cash capital injection received	10,000
Consideration receivables due within one year	9,000
	34,069
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	62,663
Goodwill	16,911
Trade receivables	14,200
Other receivables and prepayments	4,351
Payments on behalf of residents	19,721
Amounts due from certain subsidiaries of the Company	34,596
Bank balances and cash	13,742
Trade payables	(38,681)
Other payables and accruals	(4,580)
Receipts on behalf of residents	(54,356)
Amounts due to non-controlling shareholders	(7,474)
Amounts due to certain subsidiaries of the Company	(14,577)
Amounts due to certain fellow subsidiaries of the Company	(8,213)
Tax liabilities	(3,558)
	34,745
Gain on disposal of partial interests in subsidiaries resulting in loss of control:	
Total consideration and capital injection	34,069
Non-controlling interests	3,720
Fair value of retained equity interests in	
— Xuzhou Binhu classified as interests in associates	460
— Xi'an Rongxin classified as AFS investments	1,813
— Shenzhen Yixuan classified as interests in joint ventures (note)	42,600
Less: net assets disposed of	(34,745)
	47,917
Net cash inflow arising on disposal:	
Cash consideration received	25,069
Bank balances and cash disposed	(13,742)
	11,327

Note: The fair value of retained equity interests in Shenzhen Yixuan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Yixuan, the growth rates and the discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Borrowings (Note 29) RMB'000	Corporate bonds (Note 30) RMB'000	Assets backed securities issued (Note 31) RMB'000	Amounts due to fellow subsidiaries (non-trade nature) (Note 45(b)) RMB'000	Amount due to non-controlling shareholders of the subsidiaries (non-trade nature) (Note 45(b)) RMB'000	Amounts due to associates (non-trade nature) (Note 45(b)) RMB'000	Amounts due to joint ventures (non-trade nature) (Note 45(b)) RMB'000	Dividend payables RMB'000	Total RMB'000
At 1 January 2017	660,294	402,585	275,084	16,190	32,886	7,564	326	–	1,394,929
Financing cash flow	28,886	116,804	(66,679)	(4,398)	(13,367)	5,935	6,455	(86,718)	(13,082)
Finance cost incurred during the year	35,420	33,213	19,332	2,271	–	–	–	–	90,236
Acquisition of subsidiaries	–	–	–	–	4,872	14	372	–	5,258
Disposal of subsidiaries	–	–	–	(8,213)	(7,919)	–	–	–	(16,132)
Dividend declared	–	–	–	–	–	–	–	86,718	86,718
At 31 December 2017	**724,600**	**552,602**	**227,737**	**5,850**	**16,472**	**13,513**	**7,153**	**–**	**1,547,927**

40. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2017 and 2016, pursuant to the agreements entered into with 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:

	2017 RMB'000	2016 RMB'000
Trade receivables due from:		
Fellow subsidiaries	**6,417**	–
Independent third party customers	**3,336**	4,354
	9,753	4,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

41. OPERATING LEASES

The Group as lessee

	2017 RMB'000	2016 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**49,433**	10,614

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:

	2017 RMB'000	2016 RMB'000
Within one year	**43,221**	47,023
Between one and five years	**169,698**	170,721
Over five years	**375,614**	418,821
	588,533	636,565

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 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 rental income from 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

41. OPERATING LEASES *(Continued)*

The Group as lessor *(Continued)*

Property rental income earned during the year ended 31 December 2017 was RMB45,733,000 (2016: RMB14,653,000).

At the end of the reporting period, the Group had contracted with tenants or residential communities for the following future minimum lease payments:

	2017 **RMB'000**	2016 RMB'000
Within one year	**99,038**	67,399
Between one and five years	**266,398**	126,817
Over five years	**138,357**	58,989
	503,793	253,205

42. CAPITAL AND OTHER COMMITMENTS

	2017 **RMB'000**	2016 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**2,120**	18,142
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**23,066**	21,325

43. RETIREMENT BENEFITS SCHEME

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the 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 RMB49,322,000 (2016: RMB48,546,000) respectively, represented contributions from the continuing operation payable to the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. 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	Equity interest attributable to the Group		Principal activities	Legal form
		RMB'000	**2017**	2016		
Shenzhen Colour Life	PRC	100,000	**100%**	100%	Investment holding	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	90,000	**100%**	100%	Provision of community leasing, sales and other value-added 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%**	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%**	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 International Property Management Co., Ltd.	PRC	11,000	**100%**	100%	Provision of property management services	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd. ("Chongqing Hongshan")	PRC	10,000	**87%**	87%	Provision of property management services	Limited liability company
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	10,000	**100%**	100%	Provision of property management services	Limited liability company
Shanghai Tonglai	PRC	5,000	**100%**	–	Provision of property management services	Limited liability company

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

44. 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 2017	2016
Investment holding	Cayman Islands	**2**	2
	BVI	**5**	5
	Hong Kong	**3**	3
	PRC	**4**	4
Provision of property management services	PRC	**107**	94
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of community leasing, sales and other value-added services	PRC	**13**	8
Provision of engineering services	PRC	**1**	1
		137	119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. 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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2017 & 2016	**2017**	2016	**2017**	2016
		%	**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	**14,842**	8,128	**21,977**	11,486
Chongqing Hongshan	PRC	13	**1,790**	1,005	**5,304**	3,514
Individually immaterial subsidiaries with non-controlling interests			**13,360**	19,093	**78,927**	58,550
Total			**29,992**	28,226	**106,208**	73,550

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.

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For the year ended 31 December 2017

44. SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Shenzhen Ancaihua

	2017	2016
	RMB'000	RMB'000
Current assets	**89,450**	42,033
Non-current assets	**10,984**	8,773
Current liabilities	**(52,626)**	(25,736)
Non-current liabilities	**(2,957)**	(1,629)
Equity attributable to owner of the company	**22,874**	11,955
Non-controlling interests	**21,977**	11,486

	2017	2016
	RMB'000	RMB'000
Revenue	**54,328**	32,409
Expenses	**(24,038)**	(15,822)
Profit for the year	**30,290**	16,587
Profit for the year attributable to owner of the company	**15,448**	8,459
Profit for the year attributable to the non-controlling interests	**14,842**	8,128
Dividends paid to owner of the company	**(4,449)**	(1,474)
Dividends paid to a non-controlling shareholder	**(4,351)**	(1,418)
Net cash inflow from operating activities	**9,261**	11,965
Net cash outflow from investing activities	**–**	(496)
Net cash outflow from financing activities	**(5,988)**	(3,002)
Net cash inflow	**3,273**	8,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Chongqing Hongshan

	2017	2016
	RMB'000	RMB'000
Current assets	**113,286**	69,601
Non-current assets	**42**	49
Current liabilities	**(72,528)**	(42,616)
Equity attributable to owners of the company	**35,496**	23,520
Non-controlling interests	**5,304**	3,514

	2017	2016
	RMB'000	RMB'000
Revenue	**93,980**	46,023
Expenses	**(80,214)**	(38,289)
Profit for the year	**13,766**	7,734
Profit for the year attributable to owners of the company	**11,976**	6,729
Profit for the year attributable to the non-controlling interests	**1,790**	1,005
Net cash inflow from operating activities	**3,196**	1,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. 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:

	2017 RMB'000	2016 RMB'000
Engineering services income		
Fellow subsidiaries	**5,670**	21,890
An associate	**469**	197
A related party	**971**	–
Pre-sales services income		
Fellow subsidiaries	**879**	5,264
Consultancy services income		
A related party, a joint venture of Fantasia Holdings	**46,110**	14,453
Online promotion services income		
A fellow subsidiary	**18,008**	25,041
A joint venture	**4,000**	–
An entity controlled by Mr. Pan Jun, a director of the company	**17,984**	–
Energy-saving services fees		
An associate	**8,484**	41
An entity controlled by Mr. Pan Jun, a director of the Company	**4,646**	552
Leasing information system software income		
An associate	**129**	132
An entity controlled by Mr. Pan Jun, a director of the Company	**2,997**	2,997
Other services income included in community leasing, sales and other value-added services segment		
An associate	**–**	41
Fellow subsidiaries	**619**	–
Interest expenses		
A non-controlling shareholder of a subsidiary	**–**	109
A fellow subsidiary	**2,271**	702
Interest income		
Mr. Tang Xuebin, a director of the Company	**14**	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. 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:

	2017	2016
	RMB'000	RMB'000
Amounts due from fellow subsidiaries		
Non-trade nature	**50,707**	2,513
Trade nature	**59,036**	32,037
	109,743	34,550

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:

	2017	2016
	RMB'000	RMB'000
0 to 30 days	**5,352**	4,935
31 to 90 days	**12,135**	9,246
91 to 180 days	**11,744**	9,838
181 to 365 days	**23,488**	1,505
Over 1 year	**6,317**	6,513
	59,036	32,037

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

	2017	2016
	RMB'000	RMB'000
91 to 180 days	**11,744**	9,838
181 to 365 days	**23,488**	1,505
Over 1 year	**6,317**	6,513
	41,549	17,856

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2017 **RMB'000**	2016 RMB'000
Amounts due from non-controlling shareholders of the subsidiaries		
Non-trade nature	**113,153**	82,330
Amounts due from associates		
Non-trade nature	**27,567**	1,434
Amounts due from joint ventures		
Non-trade nature	**5,292**	–
Amounts due from related parties		
Non-trade nature	**10,002**	848
Trade nature	**5,475**	15,320
	15,477	16,168

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:

	2017 **RMB'000**	2016 RMB'000
0 to 30 days	**–**	3,064
31 to 90 days	**–**	6,128
91 to 180 days	**5,475**	6,128
	5,475	15,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2017 RMB'000	2016 RMB'000
Amount due from a director		
Non-trade nature		
— Non-current	**323**	343
— Current	**60**	60
	383	403

The amount due from Mr. Tang Xuebin, a director of the Company of RMB383,000 (2016: RMB403,000) 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 (2016: RMB60,000) to be repaid in one year is classified as current asset and the amount of RMB323,000 (2016: RMB343,000) to be repaid after one year is classified as non-current asset.

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

	2017 RMB'000	2016 RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**5,850**	16,190
Trade nature	**9,161**	1,111
	15,011	17,301

The trade balances due to fellow subsidiaries represented the advance from fellow subsidiaries for provision of pre-sales services and engineering services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

Included in the non-trade balances due to fellow subsidiaries, the amount of RMB3,855,000 (2016: RMB14,200,000) represented the loans granted to the Group by Shenzhen Qianhai Fantasia Financial Co., Ltd. (深圳市前海花樣年金融服務有限公司) ("Shenzhen Qianhai"), a fellow subsidiary of the Group to purchase its equipments. The loans bears interest of 16.5% per annum and matures from 15 October 2016 to 15 September 2021. The loans are guaranteed by a subsidiary of the Group. Based on the terms of the agreement, the amount of RMB1,584,000 (2016: RMB4,324,000) due in one year is classified as current liability and the amount of RMB2,271,000 (2016: RMB9,859,000) due after one year is classified as non-current liability.

	2017 **RMB'000**	2016 RMB'000
Amounts due to fellow subsidiaries		
Non-current	**2,271**	9,859
Current	**12,740**	7,442
	15,011	17,301
Amounts due to non-controlling shareholders of the subsidiaries		
Non-trade nature	**16,472**	32,886
Amounts due to associates		
Non-trade nature	**13,513**	7,564
Amounts due to joint ventures		
Non-trade nature	**7,153**	326

Except for the above amount due to Shenzhen Qianhai, the remaining amounts due to the above fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates and joint ventures are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**11,997**	12,380
Post-employment benefits	**493**	450
Share-based payments	**5,557**	16,720
	18,047	29,550

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 2017, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB148,021,000 (2016: RMB31,979,000) in aggregate.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2017 RMB'000	2016 RMB'000
Non-Current Assets		
Investments in subsidiaries	**194,171**	194,171
Amounts due from subsidiaries (note)	**334,934**	408,087
	529,105	602,258
Current Assets		
Other receivables and prepayments	**3,019**	–
Amount due from a related party	**1**	1
Bank balances and cash	**4,462**	11,975
	7,482	11,976
Current Liabilities		
Other payables	**663**	111
Amounts due to subsidiaries	**12,154**	12,475
Amounts due to fellow subsidiaries	**41**	39
Borrowings due within one year	**21,633**	–
	34,491	12,625
Net Current Liabilities	**(27,009)**	(649)
Total Assets Less Current Liabilities	**502,096**	601,609
Capital and Reserves		
Share capital	**78,945**	79,325
Reserves	**423,151**	522,284
Total equity	**502,096**	601,609

Note: The amounts are unsecured, interest free and expected to be realised within 4 years from the end of the reporting period, and therefore measured at amortised cost at an effective interest rate of 4.9% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

47. FINANCIAL SUMMARY OF THE COMPANY

Movements in reserves

	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 2016	604,515	–	118,114	(118,809)	603,820
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	519,820	(9,010)	197,155	(185,681)	522,284
Loss and total comprehensive expense for the year	–	–	–	(39,311)	(39,311)
Dividend paid to shareholders	(86,718)	–	–	–	(86,718)
Recognition of equity-settled share-based payment	–	–	45,303	–	45,303
Cancelled upon repurchased of shares	(18,407)	–	–	–	(18,407)
At 31 December 2017	**414,695**	**(9,010)**	**242,458**	**(224,992)**	**423,151**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group had following significant events took place:

(a) Pursuant to the agreements entered into among certain subsidiaries of the Company and Fantasia Holdings, Fantasia Holding agreed to transfer its 100% beneficial interest in 深圳市幸福萬象投資合夥企業(有限合夥) Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) and its 100% of the equity interest in 萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd. to the Company. The consideration constitutes cash consideration of RMB1,014,174,000 and issuance of 231,500,000 ordinary shares of the Company. The acquisition was completed on 28 February 2018.

(b) The Company issued 87,246,000 new ordinary shares for consideration of HKD5.00 per shares on 5 January 2018 to the existing shareholders. The placing shares represent approximately 8.76% of existing issued share capital of the Company.

(c) In January 2018, Shenzhen Colour Life issued ABS under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of ABS amounting to RMB36,000,000, at the end of the second 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 III") to sell back the ABS to the Group in whole or in part at face value of their principal amount. Put Options III held by the ABS holders are regarded as an embedded derivative closely related to the economic characteristics and risks of the host contract, therefore, the Put Options III are not separated from liability component.

In The People's Republic Of China Headquarters
Room 1203-09, Qixing Commercial Plaza B, Meilong Avenue, Long Hua District, Shenzhen, the PRC
Post Code: 518100 Fax: 86-755-3393 0881
Tel: 4008-893-893 http://gw.colourlife.com/