



Stock code: 1778

2019 INTERIM
REPORT
SERVICE TO YOUR FAMILY



Colour Life Services Group Co., Limited

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Xuebin
(Chief Executive Officer)
Mr. Dong Dong
(resigned on 23 August 2019)
Mr. Huang Wei

Non-executive Directors

Mr. Pan Jun (Chairman)
Mr. Zhou Hongyi
Mr. Chen Xinyu
(appointed on 23 August 2019)

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. Luo Shuyu

AUTHORISED REPRESENTATIVES

Ms. Luo Shuyu

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 1203-1209
Qixing Commercial Plaza B
Meilong Avenue
Longhua 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

Honors and Awards

1. In May 2019, Colour Life Services Group Co., Limited (the “Company”, together with its subsidiaries, hereinafter referred to as the “Group”) was honoured as one of the 2019 Top 10 Listed Companies of Property Management Service by China Real Estate Association and Shanghai E-House Real Estate Institute.
2. In May 2019, the Group was honoured as 2019 China Internet Community Operation Leading Company by China Index Academy.
3. In May 2019, the Group was honoured as 2019 China Leading Property Management Company in terms of Characteristic Service-Intelligent Community by China Index Academy.
4. In March 2019, the Group was honoured as one of the Top 30 Property Management Enterprises in China in 2019 by Guandian Index Academy.



Honors and Awards

5. In May 2019, the Group was certified as Member Unit of China Charity Alliance by the China Charity Alliance for committing to the cause of charity.
6. In May 2019, Shenzhen Colour Life Services Group Co., Ltd., a wholly-owned subsidiary of the Group, was honoured as Innovative Property Service Pioneer in the Guangdong-Hong Kong-Macao Greater Bay Area by E-House Group CRIC.
7. In May 2019, Wanxiangmei Property Management Co., Ltd. (hereinafter referred to as “Wanxiangmei”), a wholly-owned subsidiary of the Group, was honoured as one of the 2019 Top 100 Property Management Companies in China by China Index Academy.
8. In May 2019, Wanxiangmei was honoured as one of the 2019 China Top 10 Property Management Companies in terms of Growth Potential by China Index Academy.
9. In May 2019, Wanxiangmei was honoured as one of the 2019 China Leading Property Management Companies in terms of Service Quality by China Index Academy.



Chairman's Statement



PAN JUN
Chairman

Dear Shareholders,

Colour Life witnessed accelerated transformation in its development in 2019. As a leading platform-based enterprise in the community service industry, Colour Life advanced fast in internet-based services. The strategic shareholding of JD.com (including its related parties, hereinafter referred to as “JD”) and 360.com (三六零安全科技股份有限公司) (including its related parties, hereinafter referred to as “360”) offered strong assurance for the integration of Colour Life’s offline and online business, marking it a milestone in its development process. In the future, Colour Life will jointly explore the integration and innovation of “community + commerce”, “community + logistics”, “community + security” and “community + technology” with JD and 360, further leveraging community scenarios, enhancing owners’ experience and building warm smart communities.

Meanwhile, Colour Life always adheres to common sense and responsibility, focuses on solving pain points of the industry, constructs and enriches the community ecosystem, and engages in innovative value-added business from different dimensions including efficiency improvement and scale expansion, so as to maintain the Group’s long-term value.

For the six months ended 30 June 2019, revenue amounted to RMB1,811.5 million in total, and net profit attributable to shareholders amounted to RMB215.9 million, representing a year-on-year increase of 3.1% and 23.2%, respectively.

Chairman's Statement

TECHNOLOGY INNOVATION: SHARPENING THE TOOL TO DO A GOOD JOB

The core competitiveness of property management business is the improvement of service efficiency. Especially, faced with the double whammy of having difficulty in raising property manage fees and escalating staff cost in the prevailing market, enterprises that can offer effective solutions to improve customer satisfaction possess core competitiveness. Based on its years of incessant exploration, Colour Life has constructed online central control platforms to offer centralized, standardized and automated property management services, improving service efficiency significantly.

However, Colour Life forges ahead further. In 2019, it further put forward the Big Dipper strategy, dividing the property management service procedures into orders. Specifically, the Big Dipper strategy includes seven kinds of services, namely E-Security, E-Repair (including e-Lift), E-Energy, E-Cleaning, E-Gardening, E-Payment and E-Complaint. Through the subdivision of orders, Colour Life delegates the service responsibility to the order recipients providing specific services, and rewards and reprimands order recipients by using service delivery result as the basis for settlement, achieving real-time settlement with reward being commensurate with effort. Order-oriented modification has converted service information into platform data, laying a foundation for the building of smart communities. Meanwhile, the Group can continue to boost service delivery capacity through data observation and analysis, further improving customer satisfaction continuously.

Exploration and innovation in technology has led to continuous improvement in the Group's management efficiency and brand effect. As at 30 June 2019, the Group had Contracted GFA of 563.5 million sq.m. and served 2,824 communities. Meanwhile, the Group currently expands its business principally through new engagements, and has gradually abandoned acquisitions with heavy capital commitment, thus further optimized its debt structure. As at 30 June 2019, the Group's total debt decreased by 27.9% to RMB2,639.0 million and the asset-liability ratio decreased by 4.7 percentage points to 63.0%, as compared to the end of 2018.

PRODUCT INNOVATION: FOLLOWING THE TREND AND TAKING ADVANTAGE OF EXTERNAL RESOURCES

In recent years, mobile internet technology has developed fast. Colour Life closely follows the trend and actively innovates value-added business relating to owners needs on basic necessities. Through online access of some indispensable functions (such as car parking, property management fees payment, etc.) which owners use frequently, the Group diverted offline owners to become users of the Caizhiyun online platform. Meanwhile, Colour Life allows other companies in the same industry to use its increasingly mature online platform, accelerating the acquisition of online users in an efficient asset-light way.

As at 30 June 2019, the Group's platform service area had reached 1,205.5 million sq.m. As the platform coverage continued to expand, users became more dependent on the platform. As at 30 June 2019, register users of the ecosystem amounted to 32.0 million. Of which, active users amounted to 16.4 million, and activation rate maintained at a high level of 51.3%.

Chairman's Statement

Guided by an emphasis on traffic and product innovation, the Group focused on the pain point of escalating cost for acquiring e-commerce customers by cooperating with e-commerce platforms to establish Colour Benefits Life in 2019. Through Colour Benefits Life, owners can purchase commodities and services at the same price as that of major e-commerce companies, and benefit from property management fees and parking fees relief. As a diverter of community traffic, Colour Benefits Life converts community offline traffic to online e-commerce transactions at a very low cost through the indispensable need to pay property management fees, helping e-commerce companies reduce the cost for acquiring customers. This new model gradually attracted some mature e-commerce platforms, including JD, 58-Home and Pagoda, to strategically cooperate with the Group, significantly enriching the commodity and service types of Colour Benefits Life. For the six months ended 30 June 2019, users completed a total of 621,700 transactions on Colour Benefits Life with transaction amount reaching RMB121.0 million. Furthermore, as Colour Benefits Life boosted online transactions, accumulated Colour Life online platform transaction amount from January to June 2019 reached RMB5,546.5 million, revenue from value-added services amounted to RMB200.4 million, and gross profit margin from value-added services business increased by 10.1 percentage points to 81.9%, representing a further improvement in profitability.

COLLABORATION INNOVATION: INTRODUCING INTERNET PARTNERS TO ACCELERATE BUSINESS TRANSFORMATION

Because of the outstanding performance achieved by Colour Life in areas such as community scenario exploration and value-added business expansion, the Group was able to reach strategic cooperation agreements on capital and business levels with JD and 360, each of them subscribed 71,149,000 and 22,956,000 new shares of Colour Life at the price of HK\$5.22 per share, respectively, in July 2019. After completion of the transactions, JD and 360 would hold 5.00% and 3.05% of the Company's shares, respectively.

This cooperation is another milestone event for Colour Life after its listing, suggesting that the Group will accelerate its transformation towards the Internet in the future. The Group will conduct explorations with JD on multiple fields such as commerce and logistics based on the successful experience of Colour Benefits Life. Through establishing front-end warehouses in the community, the Group can save cost for JD's logistics distribution, and introduce JD 7Fresh and JD Daojia to the community, enriching the Group's commodity categories and improving customers' online consumption experience.

Meanwhile, 360 will give play to its advantages in core security area, and conduct cooperation with the Group on community safety, building private and safe smart communities for property owners of the communities. The Group's enriching offline community resources can also provide practical scenarios for 360's security technology, hardware and software security protection products, laying the foundation for its construction of big security industry ecology.

PROSPECTS

We believe that innovation is the key driver for Colour Life. In 2019, Colour Life will go further in improving efficiency via technology, creating value via products and ensuring a win-win situation via cooperation respectively to demonstrate the long-term value of Colour Life.

In the future, we will be open-minded, continue to introduce new products and services, build more resourceful community service ecosystem, and construct more convenient, safer and more harmonious community for property owners, based on the needs of the community and property owners.

Management Discussion and Analysis

BUSINESS MODEL

The Group is a leading community service platform in China. As a pioneer in exploring value-added services in the industry, the Group focuses 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 service for residents of the community on the back of property management service.

Following the in-depth implementation of smart community construction, the Group is undergoing transformation into a technology-oriented platformization enterprise. The Group will proactively utilise the new technologies from the Internet, deepens the application of technologies like big data and artificial intelligence, and focuses on the investment in intelligent equipment. On the other hand, the Group enhances management efficiency to provide better service experience for the communities under the Group's management. The Group has established a powerful head office digital "cloud" system, which strengthened the service capacity of the "terminal" and minimize the dependency of 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, set standards for equipment modification and service packages to ensure standard customer experience for various clients 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 area and securing customer satisfaction.

To further improve service efficiency, the Group put forward the Big Dipper strategy in recent years. By implementing the seven major functions of E-Security, E-Repair (including E-Elevator), E-Energy, E-Cleaning, E-Greening, E-Payment and E-Complaint, the Group has initially put into place order-oriented property management services and further enhanced the service efficiency of the Group. For instance, with repair expenses per unit area unchanged, equipment availability has increased by 10 percentage points as a result of implementing E-Repair. With a 10% reduction in cleaning expenses per unit area, customer satisfaction rate has increased by 5 percentage points as a result of the implementation of E-Cleaning.

Meanwhile, the Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience to residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the residential communities. In addition, the Group designates customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will schedule visits with residents through the Caizhiyun platform for following up work and feedback relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need anytime. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges. In recent years, with the rapid development of the online platform, value-added services have become the key drivers of the core competitiveness and performance growth of the Group.

Management Discussion and Analysis

In particular, it is worth mentioning that on 19 July 2019, the Group reached an agreement with an indirect wholly owned subsidiary of JD and an indirect wholly owned subsidiary of 360, pursuant to which the Company would issue 71,149,000 shares and 22,956,000 shares to them respectively at a price of HK\$5.22 per share. After completion of the transactions, the shares of JD and 360 will account for 5.00% and 3.05% respectively of the Group's enlarged share capital.

Based on the successful experience of Colour Benefits Life, JD and the Group will cooperate in community-based new retail model, establishing front-end warehouses, logistics distribution and enhancement of platform experience in the future. At the same time, based on the technological experience accumulated by 360 in the field of core security, the Group will cooperate with 360 in aspects like security, big data, Internet of Things and artificial intelligence. Through the strategic cooperation with JD and 360, the online and offline operation capabilities of the Group will be further enhanced to create a more private, more comfortable and more convenient smart community for property owners.

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, 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 incorporated into the Group's Contracted GFA. Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of Contracted GFA under management will thus be called the "revenue-bearing GFA". The difference between the total contract GFA and the revenue-bearing GFA is the reserved GFA which will be transferred to the revenue-bearing GFA in future.

On the other hand, the Group exports its underlying technology of Caizhiyun APP to other enterprises in the industry. Today, Caizhiyun APP can serve the communities which our partners have provided property management services. The area managed by our partners is called the "cooperated GFA". In addition, the Group has cooperated with Shanghai Yinwan Life Network Co., Ltd. ("Shanghai Yinwan") since 2016. Shanghai Yinwan has also launched its online platform through its strategic alliance with other property management companies. Therefore, the above property management companies also indirectly cooperate with the Group, and will use the online platform of the Group in future. The area where property management services were provided by the companies under the strategic alliance with Shanghai Yinwan is called the "allianced GFA". The aggregate area of Caizhiyun platform's coverage over such communities is collectively referred to as the platform service area.

The Group has accumulatively obtained a total of 12.4 million sq.m. of newly engaged management area during the reporting period, reflecting the Group's core competitiveness in service quality and market expansion.

Management Discussion and Analysis

As at 30 June 2019, GFA under management contracts and consultancy service arrangements of the Group (“Contracted GFA”) had reached 563.5 million sq.m. while the number of communities under the Group’s management and consultancy services contracts had reached 2,824. As at 30 June 2019, the area of the Group’s revenue-bearing GFA reached 364.5 million sq.m. and the number of communities reached 2,295. The Group’s management projects cover 277 cities in China, achieving rapid expansion of the Contracted GFA.

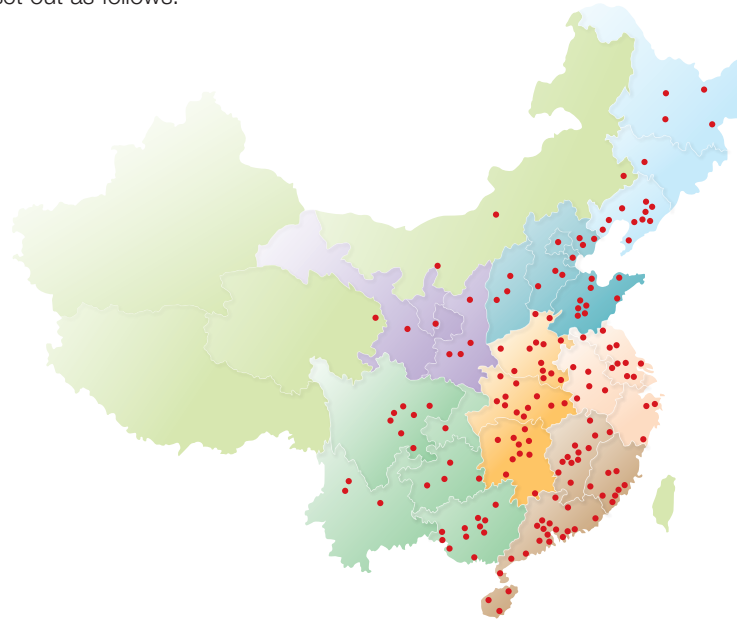
On the other hand, the prospect for the transformation of the Group’s business structure became progressively clear, proven both in terms of business data and financial data. Thus, the Group put forward the strategy of platform output in a timely manner. The Group’s online platform can serve more communities and families not managed by the Group by extending the platform services to its partners. As at 30 June, 2019, the Group’s platform service area had reached 1,205.5 million sq.m., including 563.5 million sq.m. of Contracted GFA, 392.0 million sq.m. of cooperated area and 250.0 million sq.m. of allied area, fully demonstrating the technological strength of the Group’s online platform.

In addition to extending the online platform to other property management companies, the Group continued to expand the scopes under which its online platform technology can be applied. For example, the Group helped Changsha City Public Security Bureau to develop the Changsha Gardener APP for mass prevention and treatment to public order in Changsha City. Citizens can take up patrol orders or traffic violation reporting orders from the Changsha Gardener. Once an order is completed, the users can get relevant points as a cash coupon when the users make a purchase by using the Changsha Gardener APP.

This new model has encouraged the general public to participate in the process of building a secure city and building a harmonious community, extremely well received by the Changsha Municipal Government. The successful launching of the Changsha Gardener APP indicates that the Group’s online platform technology has a wider applications, and it will have greater room for development in the future.

Management Discussion and Analysis

The locations of communities where the Group provided management, consultancy services and cooperation projects as at 30 June 2019 are set out 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 Rujin
- 44 Wenchang
- 45 Pingxiang
- 46 Zhangshu
- 47 Jinjiang
- 48 Fuqing
- 49 Jiangmen
- 50 Baoting Li and Miao Autonomous County
- 51 Qionghai
- 52 Maoming
- 53 Chaozhou

Eastern China

- 54 Changzhou
- 55 Dongtai
- 56 Gaoyou
- 57 Huai'an
- 58 Jiangyin
- 59 Jurong
- 60 Lianyungang
- 61 Nanjing
- 62 Nantong
- 63 Shanghai
- 64 Suzhou
- 65 Wuxi
- 66 Wuhu
- 67 Yancheng
- 68 Yangzhou
- 69 Changshu
- 70 Kunshan
- 71 Xuzhou
- 72 Hangzhou
- 73 Chuzhou
- 74 Huzhou
- 75 Fuyang
- 76 Jiaying
- 77 Linyi
- 78 Yantai
- 79 Zhenjiang
- 80 Zibo
- 81 Bengbu
- 82 Hefei
- 83 Jining
- 84 Lu'an
- 85 Qingdao
- 86 Shaoxing
- 87 Taicang
- 88 Wenzhou
- 89 Jinan
- 90 Suqian
- 91 Tai'an
- 92 Heze
- 93 Huaibei
- 94 Jinhua
- 95 Liaocheng
- 96 Taizhou
- 97 Taihe
- 98 Zaozhuang
- 99 Weifang
- 100 Dongying
- 101 Dezhou
- 102 Ningbo
- 103 Shouguang
- 104 Xinyi
- 105 Rizhao

Southwestern China

- 106 Qufu
- 107 Maanshan
- 108 Yixing
- 109 Taizhou
- 110 Yuyao
- 111 Zhuji
- 112 Heze
- 113 Huangshan
- 114 Ledong
- 115 Tongling
- 116 Anqing
- 117 Chengdu
- 118 Liuzhou
- 119 Dali
- 120 Guilin
- 121 Nanning
- 122 Zigong
- 123 Chongzuo
- 124 Baise
- 125 Guigang
- 126 Zunyi
- 127 Guiyang
- 128 Fangchenggang
- 129 Deyang
- 130 Guang'an
- 131 Laibin
- 132 Lijiang
- 133 Mianyang
- 134 Pingnan
- 135 Suining
- 136 Tongren
- 137 Yizhou
- 138 Chongqing
- 139 Ziyang
- 140 Anshun
- 141 Beihai
- 142 Guanghan
- 143 Kunming
- 144 Guanyuan
- 145 Neijiang
- 146 Duyun
- 147 Fuquan
- 148 Longli
- 149 Majiang
- 150 Bazhong

Northwestern China

- 151 Wuzhou
- 152 Bijie
- 153 Emeishan
- 154 Leshan
- 155 Liupanshui
- 156 Qiandongnan Autonomous Prefecture
- 157 Qinzhou
- 158 Wenshan
- 159 Yulin
- 160 Yibin
- 161 Meitan
- 162 Xishuangbanna
- 163 Meishan
- 164 Qiannan Buyi and Miao Autonomous Prefecture
- 165 Qianxinan Buyi and Miao Autonomous Prefecture
- 166 Nanchong

Northeastern China

- 167 Gaizhou
- 168 Harbin
- 169 Huludao
- 170 Shenyang
- 171 Tieling
- 172 Yingkou
- 173 Diaobingshan
- 174 Benxi
- 175 Changchun
- 176 Panjin
- 177 Dalian
- 178 Mudanjiang
- 179 Jixi
- 180 Qiqihar
- 181 Daqing
- 182 Jiamusi
- 183 Fusong
- 184 Fushun
- 185 Dandong
- 186 Chifeng
- 187 Siping

Northern China

- 188 Xi'an
- 189 Yinchuan
- 190 Lanzhou
- 191 Hancheng
- 192 Xining
- 193 Yulin
- 194 Baoji
- 195 Ankang
- 196 Pingliang
- 197 Hanzhong
- 198 Weinan
- 199 Urumqi
- 200 Bayannur
- 201 Yili Prefecture
- 202 Jincheng
- 203 Yan'an
- 204 Xianyang
- 205 Pengyang
- 206 Yangling

Central China

- 229 Changsha
- 230 Xinxiang
- 231 Yiyang
- 232 Zhengzhou
- 233 Wuhan
- 234 Chenzhou
- 235 Kaifeng
- 236 Anyang
- 237 Xiangyang
- 238 Jingmen
- 239 Puyang
- 240 Yichang
- 241 Yueyang
- 242 Zhangjiajie
- 243 Zhuzhou
- 244 Huixian
- 245 Luohe
- 246 Xiangtan
- 247 Huanggang
- 248 Changde
- 249 Jingzhou
- 250 Loudi
- 251 Luoyang
- 252 Wugang
- 253 Suizhou
- 254 Nanyang
- 255 Xingyang
- 256 Shangqiu
- 257 Enshi
- 258 Jiaozuo
- 259 Xiangfan
- 260 Hengyang
- 261 Jiyuan
- 262 Qianjiang
- 263 Zhoukou
- 264 Zhumadian
- 265 Xiaogan
- 266 Shaoyang
- 267 Pingdingshan
- 268 Shiyi
- 269 Huaihua
- 270 Yihua
- 271 Jishou
- 272 Yongzhou
- 273 Ruzhou
- 274 Ezhou
- 275 Xianning
- 276 Jingshan
- 277 Huangshi

Management Discussion and Analysis

As at 30 June 2019, the Group recorded a sustained growth in total platform service area. The following table sets out the Contracted GFA and the number of communities where the Group provided management, consultancy services and cooperation in platform service in different regions across China as at the dates indicated below:

	As at 30 June 2019						As at 31 December 2018					
	Managed by Group		Under the Group's consultancy service arrangements		Cooperated with Group		Managed by Group		Under Group's consultancy's service arrangements		Cooperated with Group	
	Total		Total		Total		Total		Total		Total	
	Contracted	Number	Contracted	Number	Contracted	Number	Contracted	Number	Contracted	Number	Contracted	Number
GFA		GFA		GFA		GFA		GFA		GFA		
(1000 sq.m.)		(1000 sq.m.)		(1000 sq.m.)		(1000 sq.m.)		(1000 sq.m.)		(1000 sq.m.)		
Shenzhen	9,833	132	744	17	193	5	9,833	132	753	18	193	4
Southern China (excluding Shenzhen)	90,221	565	2,126	8	74,564	604	90,649	565	2,589	8	71,085	589
Eastern China ⁽¹⁾	147,668	961	2,019	7	64,744	465	142,665	861	2,019	7	53,332	414
Southwestern China	100,366	398	968	3	92,141	397	100,083	402	968	3	91,499	388
Northeastern China	21,516	100	1,680	8	8,622	51	21,462	99	1,216	8	3,301	6
Northwestern China ⁽²⁾	17,006	91	3,506	2	49,625	493	16,687	91	3,506	2	46,603	453
Northern China ⁽³⁾	35,386	147	2	1	41,471	68	35,221	142	2	1	7,826	47
Central China ⁽⁴⁾	130,147	383	300	1	60,629	352	125,699	369	300	1	44,760	314
Total⁽⁵⁾	552,143	2,777	11,345	47	391,989	2,435	542,299	2,661	11,353	48	318,599	2,215

Notes:

- (1) The Group newly established its presence in Anqing as at 30 June 2019.
- (2) The Group newly established its presence in Pengyang and Yangling as at 30 June 2019.
- (3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang and Renqiu as at 30 June 2019.
- (4) The Group newly established its presence in Jingshan and Huangshi as at 30 June 2019.
- (5) As at 30 June 2019, the Group's platform service area reached 1,205.5 million sq.m., including Contracted GFA of 563.5 million sq.m., cooperated GFA of 392.0 million sq.m. and allied GFA of 250.0 million sq.m.

Management Discussion and Analysis

As at 30 June 2019, the Group extended its total Contracted GFA coverage to 277 cities in China. As at 30 June 2019, the Group managed 2,777 communities with an aggregate Contracted GFA of approximately 552.1 million sq.m. and entered into consultancy service contracts with 47 communities with an aggregate Contracted GFA under the consultancy service arrangements of approximately 11.3 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 communities where the Group provided management, consultancy services and cooperation projects during the reporting period:

	As at 30 June 2019						As at 31 December 2018					
	Managed by the Group		Under Group's consultancy service arrangements		Cooperated with the Group		Managed by Group		Under Group's consultancy service arrangements		Cooperated with Group	
	Total Contracted GFA (1000 sq.m.)	Number of residential communities	Total Contracted GFA (1000 sq.m.)	Number of residential communities	Total Contracted GFA (1000 sq.m.)	Number of residential communities	Total Contracted GFA (1000 sq.m.)	Number of residential communities	Total Contracted GFA (1000 sq.m.)	Number of residential communities	Total Contracted GFA (1000 sq.m.)	Number of residential communities
As at the beginning of the year	542,299	2,661	11,353	48	318,599	2,215	404,269	2,271	31,715	113	214,230	1,470
New engagements ⁽¹⁾	12,404	134	-	-	-	-	69,938	195	4,328	2	-	-
Acquisitions ⁽²⁾	1,231	9	-	-	-	-	53,839	279	-	-	-	-
New cooperation ⁽³⁾	-	-	-	-	73,390	220	-	-	-	-	104,369	745
Transfer from consultancy service to self-management ⁽⁴⁾	-	-	-	-	-	-	23,547	65	(23,547)	(65)	-	-
Termination ⁽⁵⁾	(3,791)	(27)	(8)	(1)	-	-	(9,294)	(149)	(1,143)	(2)	-	-
As at the end of period	552,143	2,777	11,345	47	391,989	2,435	542,299	2,661	11,353	48	318,599	2,215

Notes:

- (1) In relation to communities that the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities where the Group provided consultancy services, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group completed the acquisition of Beijing Darwin in order to expand its Contracted GFA and gain synergy after the acquisition.
- (3) Through cooperation in platform 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, through acquisition of subsidiaries or revision of the service agreement, resulting in the relevant communities under the Group's consultancy service arrangements being transferred into those that the Group managed.
- (5) The Contracted GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services to communities under commission basis; (ii) provision of services to communities under lump sum basis; (iii) provision of pre-delivery services to property developers; and (iv) provision of consultancy services to property management companies;
- Value-added services, which primarily include: (i) provision of online promotion services; (ii) provision of sales and rental assistance services; and (iii) provision of other value-added services; and
- Engineering services, which primarily include: (i) provision of equipment installation services; (ii) provision of repair and maintenance services; (iii) automation and other equipment upgrade services through the Group's equipment leasing scheme; and (iv) provision of energy-saving services.

Scope of Services for Property Management Services

As at 30 June 2019, the Group employed over 53,099 on-site personnel (including staff employed by the Group and staff outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2019		As at 31 December 2018	
	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)
Shenzhen	0.35–10.9	1.0–8.0	0.35–10.9	1.0–8.0
Southern China (excluding Shenzhen)	0.45–5.91	0.68–8.0	0.45–5.91	0.68–8.0
Eastern China ⁽¹⁾	0.36–9.36	0.75–8.83	0.36–9.36	0.75–8.83
Southwestern China	0.41–6.14	0.3–6.8	0.41–6.14	0.3–6.8
Northeastern China	0.40–3.27	2.0–6.0	0.40–3.27	2.0–6.0
Northwestern China ⁽²⁾	0.45–3.9	1.1–7	0.45–3.9	1.1–7
Northern China ⁽³⁾	0.6–5.5	1.0–25	0.6–4.5	1.0–8.0
Central China ⁽⁴⁾	0.55–3.0	0.85–5.0	0.55–3.0	0.85–5.0

Notes:

- (1) The Group newly established its presence in Anqing as at 30 June 2019.
- (2) The Group newly established its presence in Pengyang and Yangling as at 30 June 2019.
- (3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang and Renqiu as at 30 June 2019.
- (4) The Group newly established its presence in Jingshan and Huangshi as at 30 June 2019.

Management Discussion and Analysis

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

Property Management Services under Commission Basis

Under commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain a specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management fees will be used as operating funds to cover the expenses associated with the management of the property.

Property Management Services under Lump Sum Basis

Under lump sum basis, the Group is entitled to recognise all property management fees charged against the property owners as revenue and pay the expenses related to property management from the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services to the property developers in preparation for the pre-delivery activities and recognises the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

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, 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 the Group's experience and platform to improve various aspects of them 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 30 June 2019, the Group provided consultancy services to 47 communities, the area of which were 11.3 million sq.m.

Management Discussion and Analysis

Scope of Services for Value-added Services

Adhering to the value and concept of “Service to Your Family”, the Group has been focusing on the extension of its diversified value-added services to property owners. With 17 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed onsite personnel such as customer managers and community stewards to provide more convenient community services to property owners. Through paying frequent visits to and communication with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding of their demands. Leveraging the in-depth understanding about the residents of the communities for which the Group provides management, consultancy or platform services, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

With the promotion of more convenient ports such as WeChat applet, the number of users logging onto Caizhiyun through WeChat has increased significantly. At the same time, the ecosystem product companies such as E-Security, E-Parking and E-Energy have developed rapidly, and their number of users continues to rise. In order to reflect the actual operation more realistically, we decided to change the statistical criteria of registered and active users to incorporate users of the ecosystem with effect from 2018, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 30 June 2019, registered users of Colour Life’s ecosystem increased to approximately 32.0 million, of which 16.4 million were ecosystem active users. For the six months ended 30 June 2019, the accumulated Gross Merchandise Volume (“GMV”) of Colour Life’s online platform reached approximately RMB5,546.5 million, representing a year-on-year increase of 27.3%. The accumulated value-added services revenue was RMB200.4 million. The gross profit margin increased by 10.1 percent points year-on-year to 81.9%, contributing a profit of 33.2%.

Specifically, the accumulated GMV of Colour Wealth Life Value-added Plan reached approximately RMB530.9 million. For the six months ended 30 June 2019, the average investment period of Colour Wealth Life has been extended from 0.78 year to 0.94 year as compared to the same period of last year, thus contributing RMB16.5 million in revenue. As driven by increasingly enriching online products, the revenue of online promotion services in the first half of 2019 amounted to RMB84.1 million.

At the same time, the Group’s new cooperation model with property developers is designed to provide quality property management services and facilitate the destocking of property developers’ existing assets, namely Colour Life Parking Lots (彩生活車位). Such model mainly targets at parking lots that are difficult for property developers to sell, and part of the purchase price paid by buyers is returned to their Caizhiyun accounts year after year in the form of meal coupons, which can be used to pay for consumption on the Caizhiyun platform, thereby offering cost saving to buyers in future. For the six months ended 30 June 2019, the accumulated sales of products under the Colour Life Parking Lots amounted to over 2,000 units, and the revenue of sales and rental assistance was RMB91.8 million. The product of Colour Life Parking Lots facilitated good interactions between the Group and property developers, helping the Group gain property service resources. On the other hand, it facilitated the accumulation of a large amount of meal coupons returned by property developers to buyers on the 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 return drove the positive circulation in the ecosystem.

Management Discussion and Analysis

Last year, the Group cooperated with Colour Benefits Life which combined the community-based new retail model with the scene of paying property management fees. Purchasing goods and services required for daily life through Colour Benefits Life, community residents can deduct the property management fees that they need to pay. Based on the accurate grasp of the demands of residents by first-line employees of the Group and the trust of the residents to the Group, it helps the goods and service suppliers reduce marketing expenses, and these suppliers will return the partially reduced marketing expenses to the household as property management fees. Colour Benefits Life allows property owners to enjoy the benefits of reduction of property fees, so that quality merchants can directly access the community market channels, and property management companies can improve the collection rate and service efficiency so as to achieve a win-win situation for all parties involved.

In 2019, the Group continued to vigorously promote Colour Benefits Life and cooperated with major e-commerce platforms, including JD, Pagoda, and 58-home, which continued to enrich the categories of online products. For the six months ended 30 June 2019, the accumulated number of transaction orders reached 621,700 and the accumulated GMV of Colour Benefits Life was RMB121.0 million, representing a year-on-year increase of 91.1% and 323.1%, respectively. The accumulated offset to property management fees was RMB3.8 million and over 300,000 families had their property management fees waived.

Based on its active exploration on community scenarios and business models in the early days, the Group achieved breakthrough results. In July 2019, JD, 360 and the Group reached comprehensive strategic cooperation agreements on capital and business levels, and will integrate business innovations in areas including “community + business”, “community + logistics”, “community + safety” and “community + technology” in the future, optimizing property owners’ experiences and laying more solid foundation for future value-added business development.

The Group’s value-added services primarily include (i) online promotion services; (ii) sales and rental assistance; and (iii) other value-added services.

Online promotion services

The Group collaborates with providers of various products and services and promotes products or services to property owners through the Caizhiyun, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun platform to the Group. Further, the Group provides system or software to projects that it provides management, consultancy services and platform cooperation services and charges amount of usage fees from using information system software.

Management Discussion and Analysis

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner to complete the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorising property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receive commissions in accordance with the agency sales agreement; (iii) assists communities to rent promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

Other value-added services include (i) purchase assistance; (ii) energy management services; (iii) other value-added services.

Scope of Services for 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 cooperation with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. (“Shenzhen Kaiyuan Tongji”) and Shenzhen Ancaihua Energy Investment Co., Ltd. (“Shenzhen Ancaihua”).

Engineering services provide a safe and comfortable environment to property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the Big Dipper strategy.

For the six months ended 30 June 2019, the Group continued to carry out the Internet-based transformation to the projects under its management, pushing forward the enhancement and upgrade of Smart Community Model from Version 3.3 to Version 4.0.

Version 4.0 focuses on the property owners’ 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, QR code/face recognition access control, vehicle licence recognition system in car park etc., so as to realise central management control, replacing labour with equipment, saving energy and posts, enhancing efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group’s cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group’s management will be sent to its head office using remote monitoring technology, and it will assign rectification tasks for areas with potential problem and follow up the results.

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.

Management Discussion and Analysis

Installation service fees from provision of engineering services

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

The Group also 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 systems.

In recent years, as part of the development of Colour Life Parking Lots sales business, the Group also begins to offer intelligent improvement services for property developers' parking lots which improve the quality of properties delivered to property owners.

Services fee from provision of repair and maintenance services

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

Equipment leasing services

The Group renders automation and other equipment upgrade services to communities that it provides management or consultancy services, including car park security systems, building access systems and remote surveillance cameras. These equipment items were invested by Shenzhen Kaiyuan Tongji and made available for use by various communities through the Group's equipment leasing scheme.

Services fee from provision of energy-saving services

The Group renders energy-saving services to communities that it provides management, consultancy services or cooperation projects, including the installation of energy-saving devices. By installing and using cutting-edge energy saving equipment, the Group helps communities reduce their energy consumption.

Management Discussion and Analysis

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the six months ended 30 June 2019, total revenue increased by 3.1% from RMB1,756.9 million for the six months ended 30 June 2018 to approximately RMB1,811.5 million.

The increase in revenue was primarily driven by (i) an increase in revenue-bearing GFA; and (ii) the development of Colour Life Parking Lots business.

	For the six months ended 30 June					
	2019		2018		Variance	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	1,510,817	83.4%	1,467,080	83.5%	43,737	3.0%
Value-added services	200,413	11.1%	212,328	12.1%	(11,915)	(5.6%)
Engineering services	100,305	5.5%	77,448	4.4%	22,857	29.5%
Total revenue	1,811,535	100.0%	1,756,856	100.0%	54,679	3.1%

Property Management Services

For the current interim period, revenue from property management services increased by approximately 3.0% from approximately RMB1,467.1 million for the six months ended 30 June 2018 to approximately RMB1,510.8 million.

	For the six months ended 30 June					
	2019		2018		Variance	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management service fees on lump sum basis	1,294,883	71.5%	1,203,830	68.6%	91,053	7.6%
Property management service fees on commission basis	89,457	4.9%	82,804	4.7%	6,653	8.0%
Pre-delivery services	115,144	6.4%	177,834	10.1%	(62,690)	(35.3%)
Property management consultancy service fees	11,333	0.6%	2,612	0.1%	8,721	333.9%
Total of property management service fees	1,510,817	83.4%	1,467,080	83.5%	43,737	3.0%

Management Discussion and Analysis

Such increase was primarily attributable to:

- (a) an increase in revenue on a lump sum basis of RMB91.1 million, which was due to the completion of the acquisitions of Beijing Darwin in 2019, Hangzhou Zhuosheng and Liuzhou Zhongshi in the second half of 2018 as well as the conversion of pre-delivery service projects into property management projects under lump sum basis upon the completion of pre-delivery projects, resulting in an increase in revenue-bearing GFA. As at 30 June 2019, the total revenue-bearing GFA under lump sum basis increased by approximately 1.3 million sq.m., from approximately 111.8 million sq.m. as at the same date in 2018, to approximately 113.1 million sq.m.;
- (b) an increase in revenue from property management services under commission basis of approximately RMB6.7 million. As at 30 June 2019, the total revenue-bearing GFA under commission basis increased by approximately 25.2 million sq.m. from approximately 214.8 million sq.m. as at 30 June 2018 to approximately 240.0 million sq.m.;
- (c) a decrease in revenue from service fees charged for rendering pre-delivery services for the six months ended 30 June 2019 of approximately RMB62.7 million as compared to the fees charged for the six months ended 30 June 2018, which was mainly due to the conversion of pre-delivery service projects into property management projects under lump sum basis upon the completion of pre-delivery projects;
- (d) an increase in revenue from fees charged under consultancy service contracts of approximately RMB8.7 million to approximately RMB11.3 million due to the increase in fee charged to the property management companies benefited from the high quality of consultancy services rendered.

Due to the above changes, revenue from property management services for the current interim period accounted for 83.4% of the total revenue of the Group, representing a decrease of 0.1 percentage point from 83.5% for the six months ended 30 June 2018.

Value-added Services

For the current interim period, revenue from value-added services decreased by approximately 5.6% from approximately RMB212.3 million for the same period in 2018 to approximately RMB200.4 million.

Management Discussion and Analysis

The decrease in value-added services was primarily attributable to:

	For the six months ended 30 June				Variance	
	2019		2018		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Online promotion services	84,050	4.6%	99,108	5.7%	(15,058)	(15.2%)
Sale and rental assistance	91,826	5.1%	97,177	5.5%	(5,351)	(5.5%)
Other value-added services	24,537	1.4%	16,043	0.9%	8,494	52.9%
Total of value-added service fees	200,413	11.1%	212,328	12.1%	(11,915)	(5.6%)

- (a) a decrease in revenue from online promotion services of approximately 15.2% from approximately RMB99.1 million for the six months ended 30 June 2018 to approximately RMB84.1 million for the six months ended 30 June 2019, which was due to the Group lower and/or waive the fee charged to online service providers in order to improve the GMV of Caizhiyun platform for future expansion;
- (b) a decrease in revenue from sale and rental assistance of approximately RMB5.4 million, from approximately RMB97.2 million for the six months ended 30 June 2018 to approximately RMB91.8 million, which was mainly due to the transfer of office subleasing business to a joint venture since 2018 and the development of Colour Life Parking Lots business;
- (c) an increase in revenue from other value-added services of approximately RMB8.5 million from approximately RMB16.0 million for the six months ended 30 June 2018 to approximately RMB24.5 million for the six months ended 30 June 2019, which was due to the increase in revenue arising from the launch of value-added service in Wanxiangmei as compared with the same period of 2018.

Management Discussion and Analysis

Engineering Services

For the current interim period, revenue from engineering services increased by approximately 29.5% from approximately RMB77.4 million for the six months ended 30 June 2018 to approximately RMB100.3 million.

	For the six months ended 30 June				Variance	
	2019		2018		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Equipment installation service fees	69,471	3.8%	44,578	2.5%	24,893	55.8%
Repair and maintenance service fees	6,656	0.4%	7,938	0.5%	(1,282)	(16.2%)
Equipment leasing income	14,297	0.8%	17,162	1.0%	(2,865)	(16.7%)
Energy-saving service fees	9,881	0.5%	7,770	0.4%	2,111	27.2%
Total of engineering service fees	100,305	5.5%	77,448	4.4%	22,857	29.5%

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

- an increase in revenue from equipment installation services of approximately 55.8% from approximately RMB44.6 million for the six months ended 30 June 2018 to approximately RMB69.5 million for the six months ended 30 June 2019, which was mainly due to the development of the Group's Colour Life Parking Lots leading to a rise of auxiliary engineering renovation service demands;
- a decrease in revenue from repair and maintenance services of approximately RMB1.3 million to approximately RMB6.7 million. It was because the Group gradually subcontracted its repair and maintenance services;
- a decrease in equipment leasing income of approximately RMB2.9 million to approximately RMB14.3 million, which was mainly due to the adjustment of the Group's business model related to parking lot renovation in the current interim period. In view of the efficiency optimization and service quality improvement, the Group continued to subcontract the parking lot renovation related business to its joint venture, Shenzhen Yixuan Technology Co., Ltd. (深圳懿軒科技有限公司) and recognised this portion of profit in share of results of joint ventures;
- an increase in revenue from energy-saving equipment leasing and energy management platform service fees of approximately RMB2.1 million from approximately RMB7.8 million for the six months ended 30 June 2018 to approximately RMB9.9 million for the current interim period. It was mainly contributed by the continuing expansion of E-energy business.

Management Discussion and Analysis

Cost of Sale and Services

Cost of sale and services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation and others. The cost is mostly incurred by property management service contracts on a lump sum basis and pre-delivery services contracted with property developers. For the current interim period, cost of sale and services increased by approximately RMB84.6 million or 7.4% from approximately RMB1,137.3 million for the six months ended 30 June 2018 to approximately RMB1,221.9 million. The increase was primarily attributable to (i) the acquisition of Beijing Darwin in 2019, Hangzhou Zhuosheng and Liuzhou Zhongshi in the second half of 2018, resulting in the increased cost of sales and services; (ii) an increase in the cost of outsourcing, compared with the same period of 2018.

Gross Profit and Gross Profit Margin

For the current interim period, overall gross profit decreased by approximately RMB29.9 million from approximately RMB619.6 million for the six months ended 30 June 2018 to approximately RMB589.7 million. The decrease in gross profit was mainly due to the following factors: (i) gross profit of property management services decreased by approximately RMB43.6 million as compared with the same period of 2018; (ii) gross profit of value-added services increased by approximately RMB11.8 million compared with the same period of last year; (iii) gross profit of engineering services increased by RMB1.9 million as compared with the same period of 2018.

Overall gross profit margin decreased by 2.7 percentage points from approximately 35.3% for the six months ended 30 June 2018 to approximately 32.6% for the current interim period. The decrease was attributable to the combined effect of gross profit margin changes in all segments.

(i) *Property Management Services*

For the current interim period, the gross profit of the property management business decreased by approximately RMB43.6 million as compared with the same period of 2018, while the gross profit margin decreased by 3.8 percent points, from approximately 30.3% to approximately 26.5% for same period in 2018, which was mainly due to the slight increase in labor costs and outsourcing costs during the current interim period compared with the same period of 2018.

(ii) *Value-added Services*

For the current interim period, gross profit from the value-added services segment increased by approximately 7.8% from approximately RMB152.4 million for same period of 2018 to approximately RMB164.2 million. The increases in gross profit and gross profit margin were mainly attributable to the facts that (i) as the Group focused more on the platform output strategy, the Group's office subleasing business with lower gross profit margin was transferred to a joint venture in 2018; and (ii) the Group's vigorous promotion of Colour Life Parking Lots business resulted in the significant increase in revenue from Colour Life Parking Lots in the current interim period.

Management Discussion and Analysis

(iii) Engineering Services

For the current interim period, the gross profit of engineering services increased from RMB23.4 million for the same period in 2018 to RMB25.3 million. The increase was due to the development of Colour Life Parking Lots business.

Other Gains and Losses

The Group's net other gains for the current interim period was approximately RMB1.9 million (for the six months ended 30 June 2018: net other loss of approximately RMB22.6 million), which was mainly due to a minor fluctuation in the exchange rates of RMB against US dollar and Hong Kong dollar, leading up to a decrease in the exchange loss resulting from the foreign loans dominated in U.S. dollar and Hong Kong dollar of approximately RMB19.6 million over the same period of 2018.

Other Income

For the current interim period, the Group's other income amounted to approximately RMB28.7 million, which was primarily attributable to (i) interest income of approximately RMB26.9 million; and (ii) government grants of RMB1.8 million. For the six months ended 30 June 2019, the other income represents an increase of approximately 9.5% from approximately RMB26.2 million for the same period of 2018.

Selling and Distribution Expenses

Selling and distribution expenses for the current interim period amounted to approximately RMB21.8 million, representing an increase of approximately 6.9% from approximately RMB20.4 million for the six months ended 30 June 2018. The increase was mainly due to the increase in promotion expenses for the Colour Life Parking Lots business and other value-added services.

Administrative Expenses

The Group's administrative expenses decreased by approximately 9.9% from approximately RMB211.7 million for the six months ended 30 June 2018 to approximately RMB190.8 million for the current interim period. The decrease in administrative expenses was primarily attributable to (i) a decrease in staff costs of approximately RMB13.7 million from approximately RMB70.4 million to approximately RMB56.7 million due to the continued efforts to streamline the Group's structure and cost saving; and (ii) a year-on year decrease in professional service fees of RMB9.6 million for the current interim period as the professional service fees incurred in the same period of 2018 is mainly related to the acquisition of Wanxiangmei, which was completed in 2018.

Expenses Recharged to Residential Communities on a Commission Basis

For the current interim period, the Group's expenses recharged to residential communities on a commission basis amounted to approximately RMB39.9 million, representing a slight increase of approximately RMB0.9 million or 2.3% from approximately RMB39.0 million for the six months ended 30 June 2018. The increase was primarily attributable to the simultaneous increase in recharged expenses for the services provided in the community level as a result of the increase of total floor area covered by Group's centralised services in terms of financial accounting, human resources, business operations, legal services, etc, as well as the continued increase in the related expenses recharged to the community.

Management Discussion and Analysis

Finance Costs

For the current interim period, the Group's finance costs amounted to approximately RMB110.1 million, representing a decrease of approximately 29.7% from approximately RMB156.7 million for the six months ended 30 June 2018, which was mainly due to the Group's repayment of bank loans and corporate bonds in the first half of 2019. As of 30 June 2019, the total debt of the Group was approximately RMB2,639.0 million, representing a decrease of RMB1,020.7 million, or 27.9%, from the balance of approximately RMB3,659.7 million as at 31 December 2018.

Share Options

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

On 29 September 2014, 30 April 2015, 18 March 2016 and 27 November 2018, the Company granted 45,000,000, 25,000,000, 34,247,488 and 19,464,720 share options to its Directors, employees, and certain minority shareholders of the Company's subsidiaries, with an exercise price of HK\$6.66 each, HK\$11.00 each, HK\$5.76 each and HK\$4.11 each, respectively. The total expense charged in relation to share options granted by the Company for the six months ended 30 June 2019 was approximately RMB6.7 million, representing an increase of approximately RMB0.2 million from RMB6.5 million for the same period of 2018.

Changes in Fair Value of Investment Properties

The fair value of investment properties of the Group changed from a gain of approximately RMB4.8 million for the six months ended 30 June 2018 to a loss of approximately RMB0.9 million for the current interim period, which was primarily due to the Group's disposal of certain investment properties and realised a loss during the current interim period.

Income Tax Expenses

The Group's income tax expenses increased by approximately 21.3% from approximately RMB62.5 million for the six months ended 30 June 2018 to approximately RMB75.8 million for the current interim period, which was primarily due to an increase in current enterprise income tax of approximately 22.7% from approximately RMB82.8 million for the six months ended 30 June 2018 to approximately RMB101.6 million for the current interim period.

Trade and Other Receivables and Prepayments

Trade receivables mainly consist of management and service income on a lump sum basis from property management services, engineering services and value-added services.

Management Discussion and Analysis

As at 30 June 2019, total trade receivables of the Group amounted to approximately RMB804.5 million, representing an increase of approximately RMB174.8 million from approximately RMB629.7 million as at 31 December 2018, an increase of 27.8%, which was primarily attributable to (i) the significant increase in revenue-bearing GFA from which the Group effectively generated incomes during the current interim period; (ii) the property company's payment in the second half of the year was generally better than that in the first half of the year under the influence of seasonality of the property management industry, resulting in a significant increase in the trade receivable at 30 June 2019 compared with the balance at 31 December 2018.

Other receivables and prepayments decreased by approximately RMB121.8 million from approximately RMB720.9 million as at 31 December 2018 to approximately RMB599.1 million as at 30 June 2019. The decrease was primarily attributable to: (i) a decrease in deposits paid to business partners and suppliers of approximately RMB73.4 million; (ii) a decrease in prepayments to suppliers of approximately RMB53.6 million which was mainly due to the utilisation of prepayments during the current interim period.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group on a commission basis. These property management offices of residential communities usually have no separate bank accounts because they have no separate legal identity status. For the daily management of these property management offices of residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenses, are settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenses paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of the 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 expenses paid by the Group on behalf of the residential community.

Increase in balance of payment on behalf of residents and decrease in balance of receipt on behalf of residents are primarily due to the growth in revenue-bearing GFA under the Group's management coupled with the time lag between the dates of collecting property management fees involved in new projects of the Group's management system and that of incurring discretionary costs by the projects.

Trade and Other Payables and Accruals

Trade and other payables primarily comprise items such as payables to sub-contractors of the Group's property management services and engineering services, advances from customers, deposits received, accrued staff costs, other tax payables and other payables and accruals, details of which are as follows:

- (1) Trade payables decreased from approximately RMB504.4 million as at 31 December 2018 to approximately RMB414.1 million as at 30 June 2019, which was primarily due to the Group accelerated settlement to the suppliers during the current interim period.

Management Discussion and Analysis

- (2) Other payables and accruals increased from approximately RMB967.7 million as at 31 December 2018 to approximately RMB1,044.3 million as at 30 June 2019, which was primarily due to (i) an increase in deposits received and other payable and accruals of approximately RMB36.2 million and RMB38.6 million, respectively, due to the increase in revenue-bearing GFA under management on a lump sum basis for the current interim period; (ii) an increase in other tax payables of approximately RMB23.7 million due to the Group's business expansion; and (iii) an increase in consideration payables due to the completion of acquisition of Darwin and part of consideration of RMB29.3 million was not settled by 30 June 2019.

Cash Position

As at 30 June 2019, the Group's total cash (including pledged bank deposits) decreased by approximately 46.9% from approximately RMB3,012.9 million as at 31 December 2018 to approximately RMB1,599.7 million. Among the Group's total cash, pledged bank deposits of approximately RMB202.9 million (31 December 2018: RMB346.0 million) were pledged to guarantee the drawdown of loans by the Group.

The financial position remained stable. As at 30 June 2019, the current ratio of the Group was 1.4 (31 December 2018: 1.3).

Exchange Rate Risk

The Group mainly operates its business in China. Other than borrowings denominated in foreign currency, the Group does not have any other material direct exposure to foreign exchange fluctuations. For the six months ended 30 June 2019, the exchange rates of RMB against U.S. dollar and Hong Kong dollar slightly decreased, resulting in an exchange loss of RMB1.6 million.

Employee and Remuneration Policies

As at 30 June 2019, excluding employees for communities on a commission basis, the Group had approximately 13,805 employees (31 December 2018: approximately 14,161 employees). Remuneration is determined with reference to the performance, skills, qualifications and experience of employees concerned and the prevailing industry practices.

Apart from salary payments, other employee benefits include contributions to the Mandatory Provident Fund scheme (for employees of Hong Kong Special Administrative Region) and the state-managed pension fund scheme (for employees of Mainland China) and a discretionary bonus scheme.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board of directors of the Company that shareholders can maximise their benefits from good corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

During the six months ended 30 June 2019, the Board has adopted and complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2019, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors and employees (the "**Securities Dealing Code**"). The Company has made specific enquiry to all Directors whether the Directors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2019 and all Directors confirmed that they have complied with the requirements set out in the Model Code.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee (the “**Audit Committee**”) in compliance with the Listing Rules 3.21 and 3.22 to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. In order to comply with the CG Code, the Board adopted the terms of reference of the Audit Committee on 27 June 2014 and thereafter adopted the revised terms of references of the Audit Committee on 15 December 2015 and 27 March 2019, respectively. All of them are available for reference on the websites of the Company and the Stock Exchange.

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Mr. Tam Chun Hung, Anthony is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results for the current interim period. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the current interim period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee (the “**Remuneration Committee**”) in compliance with the Listing Rules 3.25 and 3.26. In order to comply with the CG Code, the Board adopted the terms of reference of the Remuneration Committee on 27 June 2014. The terms of reference of the Remuneration Committee is available for reference on the websites of the Company and the Stock Exchange.

The Remuneration Committee of the Company currently comprises an Executive Director, Mr. Tang Xuebin, and three Independent Non-executive Directors, namely, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Dr. Liao Jianwen is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include (but not limited to): (i) making recommendations to the Board regarding the Company’s policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; and (iii) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives.

NOMINATION COMMITTEE

The Company has established the Nomination Committee (the “**Nomination Committee**”) in compliance with the Listing Rules to fulfill the functions of determining the procedures and criteria to be adopted for purposes of selecting candidates for directorship. In order to comply with the CG Code, the Board adopted the terms of reference of the Nomination Committee on 27 June 2014 and thereafter adopted the revised terms of references of the Nomination Committee on 27 March 2019. All of them are available for reference on the websites of the Company and the Stock Exchange.

The Nomination Committee of the Company currently comprises an Executive Director, Mr. Tang Xuebin, a Non-executive Director, Mr. Pan Jun, and three Independent Non-executive Directors, namely, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Mr. Pan Jun is the chairman of the Nomination Committee. The primary function of the nomination committee is to review the structure, size and composition of the Board.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

Particulars of share options granted, exercised, cancelled and lapsed under the Share Option Scheme at the beginning and at the end of the current interim period ended 30 June 2019 were as follows:

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2019	Number of share options			Balance as at 30 June 2019	Weighted average closing price immediately before exercise HK\$	Notes
					Granted during the current interim period	Exercised during the current interim period	Cancelled/ lapsed during the current interim period			
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	-	-	-	547,790	-	(1)
				347,650	-	-	-	347,650	-	(2)
	30 April 2015	11.00	10.88	103,500	-	-	-	103,500	-	(3)
	18 March 2016	5.764	5.76	100,000	-	-	-	100,000	-	(4)
Mr. Dong Dong	27 November 2018	4.11	4.11	500,000	-	-	-	500,000	-	(5)
	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)
Mr. Huang Wei	18 March 2016	5.764	5.76	100,000	-	-	-	100,000	-	(4)
	27 November 2018	4.11	4.11	500,000	-	-	-	500,000	-	(5)
	27 November 2018	4.11	4.11	500,000	-	-	-	500,000	-	(5)
	29 September 2014	6.66	6.66	547,790	-	-	-	547,790	-	(1)
Mr. Pan Jun				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)
	27 November 2018	4.11	4.11	500,000	-	-	-	500,000	-	(5)
Mr. Zhou Hongyi	27 November 2018	4.11	4.11	500,000	-	-	-	500,000	-	(5)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
	27 November 2018	4.11	4.11	200,000	-	-	-	200,000	-	(5)
Mr. Tam Chun Hung, Anthony	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(1)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
	27 November 2018	4.11	4.11	200,000	-	-	-	200,000	-	(5)
Dr. Liao Jianwen	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(1)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
	27 November 2018	4.11	4.11	200,000	-	-	-	200,000	-	(5)
Mr. Xu Xinmin	27 November 2018	4.11	4.11	200,000	-	-	-	200,000	-	(5)
	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(1)
	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	27 November 2018	4.11	4.11	200,000	-	-	-	200,000	-	(5)
	29 September 2014	6.66	6.66	10,513,148	-	-	(20,000)	10,493,148	-	(1)
				14,973,353	-	-	-	14,973,353	-	(2)
	30 April 2015	11.00	10.88	17,267,005	-	-	(168,666)	17,098,339	-	(3)
	18 March 2016	5.764	5.76	18,240,972	-	(2,000)	(89,534)	18,149,438	5.76	(4)
	27 November 2018	4.11	4.11	16,664,720	-	-	-	16,664,720	-	(5)
Total				85,729,878	-	(2,000)	(278,200)	85,449,678		

Corporate Governance and Other Information

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) 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. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

SHARE AWARD SCHEME

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

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

(i) Purpose

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

(ii) Fund available for the Share Award Scheme

An initial amount of RMB10,000,000 has been provided for the Share Award Scheme. The Board of the Company may by resolution determine such other amount as may be provided for the Share Award Scheme, which shall be limited to up to 20,000,000 shares, representing approximately 2% of the issued share capital of the Company as at 4 July 2016, the date of adoption of the Share Award Scheme.

On 13 November 2018, the Board resolved to provide further fund in the amount of HK\$15,000,000 for the Share Award Scheme.

Corporate Governance and Other Information

(iii) Term

The Share Award Scheme will have an effective term till 2021.

(iv) Trustee

A trustee (the “**Trustee**”) has been appointed by the Company for holding the Incentive Shares granted under the Share Award Scheme.

(v) Eligible Persons

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

The Chief Executive Officer and the Chief Human Resource Officer of the Company are authorized by the Board to determine from time to time the Grantees and the terms and conditions of such grant of Incentive Shares to them, and Mr. Duan Feiqin (“**Mr. Duan**”), an assistant president of the Company or any other person that may be designated by the Board from time to time, will instruct the Trustee to purchase such number of Shares for the Share Award Scheme on the market.

(vi) Transfer of the Incentive Shares to the Grantees

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

At 31 December 2018, a total of 1,597,000 Company’s shares were held for the Share Award Scheme and the aggregate consideration paid for these shares in an amount of RMB5,585,000 was deducted from shareholders’ equity.

During the six months ended 30 June 2019, a total of 236,000 Company’s shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB853,000.

During the six months ended 30 June 2019, 1,833,000 shares held for the Share Award Scheme were awarded to eligible employees or consultants of the Group for their contribution to the Group. The fair value of the awarded shares at the date of grant of RMB6,567,000 were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB129,000 was credited to retained profits.

As at 30 June 2019, no share was held under the Share Award Scheme.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Saved as disclosed in the sections under the "Share Award Scheme", there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2019.

STRUCTURED CONTRACTS

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

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

The Company continued to expand and cooperate with various partners on the Caizhiyun platform. With E-repair service and Colour Life Wealth Life Value-added Plan introduced to the platform, the revenue and total asset value subject to the Contractual Arrangement amounted to approximately RMB28.7 million for the current interim period ended 30 June 2019 and approximately RMB5.2 million as at 30 June 2019, respectively.

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

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

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

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

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2019, 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 Stock Exchange pursuant to the Model Code as contained in 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 (%)
Mr. Tang Xuebin	Interest of controlled corporation ^{(1)&(2)}	952,488,259	71.69
	Beneficial owner ⁽³⁾	1,598,940	0.12
	Family interests ⁽⁴⁾	450,000	0.03
		954,537,199	71.84
Mr. Dong Dong	Beneficial owner ⁽³⁾	1,526,300	0.11
Mr. Huang Wei	Beneficial owner ⁽³⁾	500,000	0.03
Mr. Pan Jun	Beneficial owner ⁽³⁾	1,755,440	0.13
Mr. Zhou Hongyi	Beneficial owner ⁽³⁾	560,000	0.04
Mr. Tam Chun Hung, Anthony	Beneficial owner ⁽³⁾	710,000	0.05
Dr. Liao Jianwen	Beneficial owner ⁽³⁾	710,000	0.05
Mr. Xu Xinmin	Beneficial owner ⁽³⁾	710,000	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 is therefore deemed to be interested in the 217,531,477 shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO as at 30 June 2019.
- (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" above).
- (4) The 450,000 shares were beneficially held by Ms. Dai Minglei, the spouse of Mr. Tang.

Disclosure of Interests

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

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

Save as disclosed above, as at 30 June 2019, 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 Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares of the Company interested	Approximate percentage of shareholding interest (%)
Ms. Zeng Jie, Baby	Interest of controlled corporation ^{(1)&(2)}	954,659,259	71.85
Ice Apex	Interest of controlled corporation ^{(1)&(2)}	954,659,259	71.85
Fantasy Pearl	Beneficial owner	2,171,000	0.16
	Interest of controlled corporation ^{(1)&(2)}	952,488,259	71.69
		954,659,259	71.85
Fantasia Holdings	Beneficial owner ⁽¹⁾	735,456,782	55.35
	Other interest ⁽²⁾	217,031,477	16.33
		952,488,259	71.69
Splendid Fortune	Beneficial owner ⁽³⁾	217,531,477	16.37
	Other interest ⁽⁴⁾	503,956,782	37.93
		720,988,259	54.27
Colour Success	Interest of controlled corporation ^{(3)&(4)}	720,988,259	54.27

Notes:

- (1) Fantasia Holdings is owned as to 57.49% 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 ("**Ms. Zeng**"). 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 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, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively.
- (4) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Splendid Fortune and Colour Success are also deemed to be interested in the shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, no other shareholder, other than Directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Colour Life Services Group Co., Limited (the “Company”) and its subsidiaries set out on pages 39 to 92, which comprises the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue			
Services	3	1,797,238	1,689,379
Rental		14,297	67,477
Total revenue	4	1,811,535	1,756,856
Cost of sales and services		(1,221,854)	(1,137,266)
Gross profit		589,681	619,590
Other gains and losses		1,881	(22,624)
Other income		28,678	26,209
Impairment losses under expected credit losses model, net of reversal	16	(29,429)	(24,962)
Selling and distribution expenses		(21,849)	(20,408)
Administrative expenses		(190,755)	(211,659)
Expenses recharged to residential communities under commission basis		39,897	38,981
Finance costs		(110,133)	(156,663)
Change in fair value of investment properties		(917)	4,765
Share of results of associates		(3,721)	(908)
Share of results of joint ventures		7,401	1,273
Profit before tax		310,734	253,594
Income tax expense	5	(75,794)	(62,459)
Profit for the period	6	234,940	191,135
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		(1,892)	9,258
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		473	(2,315)
Other comprehensive (expense) income for the period, net of income tax		(1,419)	6,943
Total comprehensive income for the period		233,521	198,078

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 - continued

	NOTE	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		215,882	175,296
Non-controlling interests		19,058	15,839
		234,940	191,135
Total comprehensive income for the period attributable to:			
Owners of the Company		214,463	182,239
Non-controlling interests		19,058	15,839
		233,521	198,078
Earnings per share – basic (RMB cents)	8	16.25	14.21
Earnings per share – diluted (RMB cents)	8	16.25	14.20

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	226,325	236,808
Right-of-use assets	10	84,981	–
Investment properties	11	117,219	123,544
Interests in associates		47,548	41,887
Interests in joint ventures		109,946	100,754
Equity instruments designated at FVTOCI		119,255	120,455
Intangible assets		1,158,569	1,146,946
Goodwill		2,316,585	2,248,054
Contract assets		33,664	21,804
Other receivables	12	6,033	6,286
Loan receivables	13	25,463	35,868
Deferred tax assets		56,342	48,985
Amount due from a joint venture	14	81,505	81,505
Deposits paid for acquisition of subsidiaries		9,898	69,834
		4,393,333	4,282,730
Current Assets			
Inventories		6,205	4,631
Contract assets		61,014	57,761
Trade receivables	12	804,467	629,710
Other receivables and prepayments	12	593,029	714,564
Loan receivables	13	227,582	211,343
Payments on behalf of residents	15	845,857	778,617
Amounts due from fellow subsidiaries	14	131,192	172,299
Amounts due from non-controlling shareholders of the subsidiaries	14	116,580	119,230
Amounts due from related parties	14	153,810	16,072
Amounts due from associates	14	13,838	15,905
Amounts due from joint ventures	14	47,704	24,447
Financial assets at fair value through profit or loss ("FVTPL")		30,600	26,062
Pledged bank deposits		202,873	346,000
Bank balances and cash		1,396,852	2,666,922
		4,631,603	5,783,563

Condensed Consolidated Statement of Financial Position

At 30 June 2019 - continued

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current Liabilities			
Contract liabilities		261,288	238,692
Trade payables	17	414,088	504,403
Other payables and accruals	17	1,044,302	967,730
Receipts on behalf of residents	15	285,590	406,676
Amounts due to fellow subsidiaries	18	485,413	458,306
Amounts due to non-controlling shareholders of the subsidiaries	18	46,511	38,561
Amounts due to associates	18	20,495	19,971
Amounts due to joint ventures	18	28,302	367
Amounts due to related parties	18	–	11,769
Tax liabilities		133,565	194,140
Lease liabilities		1,557	–
Borrowings due within one year	19	410,393	1,362,868
Corporate bonds due within one year	20	71,756	181,497
Assets backed securities issued due within one year	21	215,421	208,636
		3,418,681	4,593,616
Net Current Assets			
		1,212,922	1,189,947
Total Assets Less Current Liabilities			
		5,606,255	5,472,677
Non-current Liabilities			
Deferred tax liabilities		310,263	308,581
Amount due to a fellow subsidiary	18	727	1,282
Lease liabilities		10,492	–
Borrowings due after one year	19	1,795,224	1,720,888
Corporate bonds due after one year	20	146,190	134,004
Assets backed securities issued due after one year	21	–	51,783
Total Non-current Liabilities			
		2,262,896	2,216,538
Net Assets			
		3,343,359	3,256,139

Condensed Consolidated Statement of Financial Position

At 30 June 2019 - continued

	NOTE	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Capital and Reserves			
Share capital	22	106,800	106,800
Reserves		3,045,187	3,028,668
<hr/>			
Equity attributable to owners of the Company		3,151,987	3,135,468
Non-controlling interests		191,372	120,671
<hr/>			
Total Equity		3,343,359	3,256,139

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 23)	Shares held for share award scheme RMB'000 (note 24)	FVTOCI reserve/ 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 2018 (audited and restated)	78,945	414,695	56,380	242,458	(9,010)	18,750	1,625,182	963,964	3,391,364	105,945	3,497,309
Profit for the period	-	-	-	-	-	-	-	175,296	175,296	15,839	191,135
Change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	9,258	-	-	9,258	-	9,258
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	(2,315)	-	-	(2,315)	-	(2,315)
Other comprehensive income for the period	-	-	-	-	-	6,943	-	-	6,943	-	6,943
Total comprehensive income for the period	-	-	-	-	-	6,943	-	175,296	182,239	15,839	198,078
Dividend paid to shareholders of the Company (note 7)	-	(166,237)	-	-	-	-	-	-	(166,237)	-	(166,237)
Issue of shares and cash consideration upon combination of entities under common control	19,575	887,650	-	-	-	-	(1,921,399)	-	(1,014,174)	-	(1,014,174)
Issue of new shares	7,066	345,230	-	-	-	-	-	-	352,296	-	352,296
Issue of shares upon exercise of share options	1,001	92,197	-	(32,708)	-	-	-	-	60,490	-	60,490
Dividend paid to non-controlling shareholders of certain subsidiaries	-	-	-	-	-	-	-	-	-	(1,612)	(1,612)
Acquisition of subsidiaries (note 25)	-	-	-	-	-	-	-	-	-	(483)	(483)
Capital injection by non-controlling shareholders of certain subsidiaries	-	-	-	-	-	-	-	-	-	2,795	2,795
Recognition of equity-settled share based payment (note 23)	-	-	-	6,548	-	-	-	-	6,548	-	6,548
Transfer	-	-	41,403	-	-	-	-	(41,403)	-	-	-
At 30 June 2018 (unaudited)	106,587	1,573,535	97,783	216,298	(9,010)	25,693	(296,217)	1,097,857	2,812,526	122,484	2,935,010
At 1 January 2019 (audited)	106,800	1,589,125	116,405	220,115	(5,585)	18,966	(296,217)	1,385,859	3,135,468	120,671	3,256,139
Profit for the period	-	-	-	-	-	-	-	215,882	215,882	19,058	234,940
Change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	(1,892)	-	-	(1,892)	-	(1,892)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	473	-	-	473	-	473
Other comprehensive expense for the period	-	-	-	-	-	(1,419)	-	-	(1,419)	-	(1,419)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,419)	-	215,882	214,463	19,058	233,521
Dividend paid to shareholders of the Company (note 7)	-	(210,375)	-	-	-	-	-	-	(210,375)	-	(210,375)
Issue of shares upon exercise of share options	-	16	-	(6)	-	-	-	-	10	-	10
Dividend paid to non-controlling shareholders of certain subsidiaries	-	-	-	-	-	-	-	-	-	(9,334)	(9,334)
Acquisition of subsidiaries (note 25)	-	-	-	-	-	-	-	-	-	30,282	30,282
Capital injection by non-controlling shareholders of certain subsidiaries	-	-	-	-	-	-	-	-	-	30,695	30,695
Shares repurchased under share award scheme (note 24)	-	-	-	-	(853)	-	-	-	(853)	-	(853)
Recognition of equity-settled share based payment (notes 23 and 24)	-	-	-	6,707	6,438	-	-	129	13,274	-	13,274
Transfer	-	-	25,535	-	-	-	-	(25,335)	-	-	-
At 30 June 2019 (unaudited)	106,800	1,378,766	141,940	226,816	-	17,547	(296,217)	1,576,335	3,151,987	191,372	3,343,359

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 - continued

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 acquisition of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represents the difference between the consideration and the adjustment to the non-controlling interests.
 - (ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Ltd ("Fantasia Holdings") to eligible directors of the Company and employees of the Group and credited to other reserve.
 - (iii) Merger reserve arose from the combination of entities under common control in 2018.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Cash generated from operations		187,790	185,898
Enterprise income tax ("EIT") paid		(162,171)	(130,561)
NET CASH FROM OPERATING ACTIVITIES		25,619	55,337
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(202,873)	–
Withdrawal of pledged bank deposits		346,000	–
Interest received		24,493	15,523
Deposits paid on acquisition of subsidiaries		–	(38,122)
Deposit refunded for acquisition of subsidiaries		768	–
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	25	19,995	215
Proceeds on disposal of property, plant and equipment		347	–
Purchase of property, plant and equipment		(10,114)	(83,969)
Purchase of right-of-use assets		(73,911)	–
Proceeds on disposal of investment properties		5,408	4,963
Purchase of equity instruments designated at FVTOCI		(692)	(22,530)
Proceeds on disposal of equity instruments designated at FVTOCI		–	60,000
Purchase of financial assets at FVTPL		(10,889)	–
Redemption of financial assets at FVTPL		8,553	–
Capital injections to associates and joint ventures		(10,331)	(33,216)
Advances of loan receivables		(56,397)	(7,951)
Repayments of loan receivables		50,563	39,384
Advances to fellow subsidiaries		(28,525)	(100,065)
Repayments from fellow subsidiaries		105,993	417,136
Advances to non-controlling shareholders of subsidiaries		(7,168)	(18,844)
Repayments from non-controlling shareholders of subsidiaries		9,818	4,525
Advances to related parties		(150,607)	(8,025)
Repayments from related parties		11,869	3,777
Advances to associates		(1,428)	(1,218)
Repayments from associates		3,495	19,540
Advances to joint ventures		(23,257)	(7,123)
Repayments from joint ventures		–	5,292
Repayment from a director		–	16
NET CASH FROM INVESTING ACTIVITIES		11,110	249,308

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 - continued

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Interest paid	(105,846)	(131,738)
Repayment of principal of assets backed securities issued	(46,000)	(27,500)
Net proceeds from the issuance of assets backed securities	–	98,236
New borrowings raised	400,182	1,848,671
Repayment of bank borrowings	(1,279,491)	(637,981)
Repayment of corporate bonds	(100,000)	–
Repayment of lease liabilities	(845)	–
Cash consideration paid upon combination of entities under common control	–	(595,487)
Advances from fellow subsidiaries	31,996	3,361
Repayments to fellow subsidiaries	(37,821)	(2,432)
Advances from joint ventures	27,935	4,242
Repayments to joint ventures	–	(378)
Advances from associates	2,196	483
Repayments to associates	(1,672)	(1,484)
Advances from non-controlling shareholders of subsidiaries	4,635	12,514
Repayments to non-controlling shareholders of subsidiaries	–	(3,069)
Advances from related parties	–	22,709
Repayments to related parties	(11,769)	–
Proceeds from issuance of new shares	–	352,296
Proceeds from issuance of shares upon exercise of share options	10	60,490
Capital injection from non-controlling shareholders of certain subsidiaries	30,695	2,795
Dividend paid to non-controlling shareholders of certain subsidiaries	(9,334)	(1,612)
Dividend paid to shareholders of the Company	(210,375)	(166,237)
Payment on repurchase of shares	(853)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,306,357)	837,879
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,269,628)	1,142,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,666,922	1,847,528
Effect of foreign exchange rate changes	(442)	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,396,852	2,990,052

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Company and its subsidiaries (collectively referred to as the “Group”) has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) *(Continued)*

2.1 **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessee (Continued)

Right-of-use assets *(Continued)*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) *(Continued)*

2.1 **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) *(Continued)*

2.1 **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessor (Continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.2 **Transition and summary of effects arising from initial application of HKFRS 16**

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised both lease liabilities and right-of-use assets of RMB12,370,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 8.47% per annum.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	23,224
Lease liabilities discounted at relevant incremental borrowing rates	15,470
Less: Recognition exemption – short-term leases	(421)
Recognition exemption – low-value assets	(2,679)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 January 2019	12,370
Analysed as	
Current	1,557
Non-current	10,813
	12,370

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (“HKFRS 16”) (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	12,370

As a lessor

In accordance with the transition provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The application of HKFRS 16 does not have a material impact on the retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use assets	–	12,370	12,370
Current Liabilities			
Lease liabilities	–	1,557	1,557
Non-current liabilities			
Lease liabilities	–	10,813	10,813

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2019			
	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services (Unaudited)				
Property management services				
Lump sum basis	1,294,883	–	–	1,294,883
Pre-delivery services	115,144	–	–	115,144
Commission basis	89,457	–	–	89,457
Consultancy services	11,333	–	–	11,333
	1,510,817	–	–	1,510,817
Value-added services				
Online promotion services	–	84,050	–	84,050
Sales and rental assistance	–	91,826	–	91,826
Other value-added services	–	24,537	–	24,537
	–	200,413	–	200,413
Engineering services				
Equipment installation services	–	–	69,471	69,471
Repair and maintenance services	–	–	6,656	6,656
Energy-saving services	–	–	9,881	9,881
	–	–	86,008	86,008
	1,510,817	200,413	86,008	1,797,238
Timing of revenue recognition (Unaudited)				
A point in time	–	91,826	–	91,826
Over time	1,510,817	108,587	86,008	1,705,412
	1,510,817	200,413	86,008	1,797,238

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE FROM GOODS AND SERVICES *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June 2019					
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Revenue disclosed in segment information (Unaudited)	471,659	426,856	502,862	246,461	163,697	1,811,535
Adjustments for lease income	(5,962)	(4,427)	(2,073)	(563)	(1,272)	(14,297)
Revenue from contracts with customers	465,697	422,429	500,789	245,898	162,425	1,797,238

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE FROM GOODS AND SERVICES *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

	Six months ended 30 June 2018			
	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services (Unaudited)				
Property management services				
Lump sum basis	1,203,830	–	–	1,203,830
Pre-delivery services	177,834	–	–	177,834
Commission basis	82,804	–	–	82,804
Consultancy services	2,612	–	–	2,612
	1,467,080	–	–	1,467,080
Value-added services				
Online promotion services	–	99,108	–	99,108
Sales and rental assistance	–	46,862	–	46,862
Other value-added services	–	16,043	–	16,043
	–	162,013	–	162,013
Engineering services				
Equipment installation services	–	–	44,578	44,578
Repair and maintenance services	–	–	7,938	7,938
Energy-saving services	–	–	7,770	7,770
	–	–	60,286	60,286
	1,467,080	162,013	60,286	1,689,379
Timing of revenue recognition (Unaudited)				
A point in time	–	37,242	–	37,242
Over time	1,467,080	124,771	60,286	1,652,137
	1,467,080	162,013	60,286	1,689,379

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE FROM GOODS AND SERVICES *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June 2018					Total RMB'000
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	
Revenue disclosed in segment information (Unaudited)	446,669	393,978	558,109	204,088	154,012	1,756,856
Adjustments for lease income	(59,478)	(4,253)	(2,059)	(463)	(1,224)	(67,477)
Revenue from contracts with customers	387,191	389,725	556,050	203,625	152,788	1,689,379

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION

Segment revenues and results

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

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)						
Segment revenue	471,659	426,856	502,862	246,461	163,697	1,811,535
Segment profit	100,576	100,943	124,583	40,282	40,853	407,237
Changes in fair value of investment properties						(917)
Changes in fair value of financial assets at FVTPL						2,202
Share of results of associates						(3,721)
Share of results of joint ventures						7,401
Finance costs						(110,133)
Interest income						24,493
Exchange loss						(1,612)
Share-based payment expense						(13,274)
Other unallocated expenses						(942)
Profit before tax						310,734

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Six months ended 30 June 2018						
(Unaudited)						
Segment revenue	446,669	393,978	558,109	204,088	154,012	1,756,856
Segment profit	103,594	101,939	130,480	41,261	41,898	419,172
Changes in fair value of investment properties						4,765
Changes in fair value of financial assets at FVTPL						4,284
Share of results of associates						(908)
Share of results of joint ventures						1,273
Finance costs						(156,663)
Interest income						15,523
Exchange loss						(21,223)
Share-based payment expense						(6,548)
Other unallocated expenses						(6,081)
Profit before tax						253,594

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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION *(Continued)*

Revenue and results from major services

The Group is mainly engaged in provision of property management services, value-added services and engineering services. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)				
Revenue from major services	1,510,817	200,413	100,305	1,811,535
Profit from major services	248,885	135,245	23,107	407,237
Six months ended 30 June 2018 (Unaudited)				
Revenue from major services	1,467,080	212,328	77,448	1,756,856
Profit from major services	248,820	150,245	20,107	419,172

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax in the PRC		
EIT	101,596	82,809
Deferred tax		
Credit to profit and loss	(25,802)	(20,350)
	75,794	62,459

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs	633,188	609,766
(Gain) loss on disposal of property, plant and equipment, net	(42)	437
Amortisation of intangible assets	70,777	68,566
Depreciation for property, plant and equipment	20,684	31,794
Depreciation for right-of-use assets	1,300	–
Net gain arising on financial assets at FVTPL	(2,202)	(4,284)

7. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2018 of HK18.00 cents, equivalent to RMB15.40 cents (2018: final dividend in respect of the year ended 31 December 2017 of HK15.00 cents, equivalent to RMB12.11 cents) per share was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to RMB210,375,000 (2018: RMB166,237,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	215,882	175,296
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earning per share	1,328,638	1,233,626
Effect of dilutive potential ordinary shares:		
Share options	–	1,011
Weighted average number of ordinary shares for the purpose of diluted earning per share	1,328,638	1,234,637

For the six months ended 30 June 2019, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the six months ended 30 June 2019 and 2018 are summarised as below:

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At 1 January (Audited)	236,808	239,873
Additions	10,114	83,969
Acquisition of subsidiaries (note 25)	392	–
Depreciation for the period	(20,684)	(31,794)
Disposals	(305)	(437)
At 30 June (Unaudited)	226,325	291,611

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. RIGHT-OF-USE ASSETS

The movements in right-of-use assets during the six months ended 30 June 2019 are summarised as follows:

	Notes	RMB'000
At 1 January 2019 (Adjusted)	(a)	12,370
Inception of lease	(b)	73,911
Depreciation for the period		(1,300)
At 30 June 2019 (Unaudited)		84,981

Notes:

- (a) The amount is after adjustments from application of HKFRS 16.
- (b) During the current interim period, land use rights of RMB70,589,000 were acquired by the Group.

11. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2019 (Audited)	123,544
Net decrease in fair value recognised in profit or loss	(917)
Disposals	(5,408)
At 30 June 2019 (Unaudited)	117,219

The fair values of the Group's completed investment properties at 30 June 2019 have been arrived at on the basis of valuations carried out on that date 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables		
– services	851,074	627,072
– leasing	2,246	46,922
	853,320	673,994
Less: allowance for credit losses	(48,853)	(44,284)
	804,467	629,710
Other receivables and prepayments		
Refundable deposits	329,139	402,493
Advances to staffs	72,272	66,848
Prepayments to suppliers	48,522	102,114
Consideration receivables for disposal of subsidiaries	32,000	32,000
Receivables for residential and commercial units rental assistance services on behalf of customers	16,461	12,069
Receivables from former shareholders of subsidiaries	14,729	8,955
Others	85,939	96,371
	599,062	720,850
Total	1,403,529	1,350,560
Classified as:		
Non-current		
Other receivables	6,033	6,286
Current		
Trade receivables	804,467	629,710
Other receivables and prepayments	593,029	714,564
	1,397,496	1,344,274
	1,403,529	1,350,560

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 – 30 days	348,195	256,004
31 – 90 days	216,315	168,111
91 – 180 days	144,104	121,741
181 – 365 days	65,903	53,991
Over 1 year	29,950	29,863
	804,467	629,710

Details of the impairment assessment are set out in note 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13. LOAN RECEIVABLES

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Fixed-rate loans provided to			
– online platform and community-related service companies	(a)	225,895	221,944
– property management companies	(b)	27,150	25,267
		253,045	247,211
Less: amounts shown under non-current assets		(25,463)	(35,868)
Amounts shown under current assets		227,582	211,343

Notes:

- (a) As at 30 June 2019, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB225,895,000 (31 December 2018: RMB221,944,000). The loans carry interests ranging from 6.0% to 15.0% (31 December 2018: 6.0% to 15.0%) per annum and will mature from August 2019 to June 2020. Included in loan receivables, the amounts of RMB32,500,000 (31 December 2018: RMB32,500,000) are pledged by equity interest in the borrowers and amounts of RMB24,000,000 (31 December 2018: RMB24,000,000) are pledged by properties and land use rights held by the independent third parties. At 30 June 2019, the amounts of RMB209,975,000 (31 December 2018: RMB194,431,000) are due in one year and are classified as current assets and the amounts of RMB15,920,000 (31 December 2018: RMB27,513,000) are due after one year and are classified as non-current assets.
- (b) As at 30 June 2019, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB27,150,000 (31 December 2018: RMB25,267,000). The loans carry interests at 15.0% (31 December 2018: 15.0%) per annum and will mature from August 2019 to November 2021. At 30 June 2019, the amounts of RMB17,607,000 (31 December 2018: RMB16,912,000) are due in one year and are classified as current assets and the amounts of RMB9,543,000 (31 December 2018: RMB8,355,000) are due after one year and are classified as non-current assets.

Details of the impairment assessment are set out in note 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. AMOUNTS DUE FROM FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES, RELATED PARTIES, ASSOCIATES AND JOINT VENTURES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts due from fellow subsidiaries		
Non-trade nature	72,650	150,118
Trade nature	58,542	22,181
	131,192	172,299

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. AMOUNTS DUE FROM FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES, RELATED PARTIES, ASSOCIATES AND JOINT VENTURES *(Continued)*

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 – 30 days	16,150	2,012
31 – 90 days	14,252	2,559
91 – 180 days	14,171	4,412
181 to 365 days	8,025	8,825
Over 1 year	5,944	4,373
	58,542	22,181
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts due from non-controlling shareholders of subsidiaries		
Non-trade nature	116,580	119,230
Amounts due from related parties		
Non-trade nature	153,810	15,072
Trade nature	–	1,000
	153,810	16,072

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. AMOUNTS DUE FROM FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES, RELATED PARTIES, ASSOCIATES AND JOINT VENTURES (Continued)

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:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 30 days	–	1,000
<hr/>		
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts due from associates		
Non-trade nature	13,838	15,905
<hr/>		
Amounts due from joint ventures		
Non-trade nature		
– Non-current	81,505	81,505
– Current	47,704	24,447
<hr/>		
	129,209	105,952

The non-current amount due from a joint venture of RMB81,505,000 (31 December 2018: RMB81,505,000) as at 30 June 2019 represented funds advanced by the Group for its purchases of property, plant and equipment. The balance is expected to be settled in three years and classified as non-current assets.

The non-trade balances with fellow subsidiaries, non-controlling shareholders of subsidiaries, related parties, associates and joint ventures are unsecured, interest-free and repayable on demand.

Details of the impairment assessment are set out in note 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Payments on behalf of residents for residential communities		
– under commission basis	788,297	714,272
– under lump sum basis	182,998	172,708
– under consultancy services arrangements	9,272	14,453
	980,567	901,433
Less: allowance for credit losses	(134,710)	(122,816)
	845,857	778,617
Receipts on behalf of residents for residential communities		
– under commission basis	75,904	70,131
– under lump sum basis	205,405	333,030
– under consultancy service arrangements	4,281	3,515
	285,590	406,676

Details of the impairment assessment are set out in note 16.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Impairment loss recognised in respect of		
Trade receivables	6,294	3,568
Contract assets	206	3,182
Payments on behalf of residents	22,929	18,212
	29,429	24,962

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL *(Continued)*

The balances of other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and thus the Group assessed that the ECL on these balances are insignificant.

17. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	414,088	504,403
Other payables and accruals		
Deposits received	355,605	319,421
Accrued staff costs	296,054	298,901
Provision for retirement benefit contributions	108,509	157,040
Other tax payable	103,692	80,010
Consideration payables for acquisition of subsidiaries	34,004	4,690
Receipts on behalf of online platform merchants	1,491	1,847
Rental payable	2,170	1,613
Other payables and accruals	142,777	104,208
	1,044,302	967,730
Total	1,458,390	1,472,133

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 – 60 days	223,608	321,442
61 – 180 days	144,931	129,429
181 – 365 days	24,845	36,924
Over 1 year	20,704	16,608
	414,088	504,403

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. AMOUNTS DUE TO FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND RELATED PARTIES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts due to fellow subsidiaries		
Non-trade nature	446,004	451,513
Trade nature	40,136	8,075
	486,140	459,588

The trade balances due to fellow subsidiaries represented the advance from fellow subsidiaries for provision of pre-delivery services and equipment installation services.

Included in the non-trade balances due to fellow subsidiaries, the amount of RMB2,309,000 (31 December 2018: RMB2,864,000) 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 equipment. The loans bears interest of 16.53% per annum and matures from 15 October 2016 to 15 September 2021. The loans are guaranteed by a subsidiary of the Company. Based on the terms of the agreement, the amount of RMB1,582,000 (31 December 2018: RMB1,582,000) due in one year is classified as current liability and the amount of RMB727,000 (31 December 2018: RMB1,282,000) due after one year is classified as non-current liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. AMOUNTS DUE TO FELLOW SUBSIDIARIES, NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND RELATED PARTIES (Continued)

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Amounts due to fellow subsidiaries		
– Non-current	727	1,282
– Current	485,413	458,306
	486,140	459,588
Amounts due to non-controlling shareholders of subsidiaries		
Non-trade	46,511	38,561
Amounts due to associates		
Non-trade	20,495	19,971
Amounts due to joint ventures		
Non-trade	28,302	367
Amounts due to related parties		
Trade nature	–	11,769

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19. BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Secured bank loans	285,824	368,326
Secured other loans	650,947	655,056
Unsecured bank loans	100,000	259,865
Unsecured other loans	1,168,846	1,800,509
	2,205,617	3,083,756
Less: Amounts due within one year shown under current liabilities	(410,393)	(1,362,868)
Amounts shown under non-current liabilities	1,795,224	1,720,888

During the current interim period, the Group obtain new borrowings amounting to RMB400,182,000 (six months ended 30 June 2018: RMB1,848,671,000) and repaid borrowings amounting to RMB1,279,491,000 (six months ended 30 June 2018: RMB637,981,000).

The new borrowings raised are denominated in Renminbi and Hong Kong Dollar and carry interest ranging from 4.28% to 10.00% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. CORPORATE BONDS

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

	RMB'000
At 1 January 2019 (Audited)	315,501
Effective interest recognised	9,145
Repayment of corporate bonds	(100,000)
Payment of interests	(6,700)
At 30 June 2019 (Unaudited)	217,946

Analysis for reporting purpose:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current	71,756	181,497
Non-current	146,190	134,004
	217,946	315,501

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

21. ASSETS BACKED SECURITIES ISSUED

The movement of the assets backed securities during the current interim period is set out below:

	RMB'000
At 1 January 2019 (Audited)	260,419
Effective interest recognised	9,259
Repayment of principal	(46,000)
Payment of interests	(8,257)
At 30 June 2019 (Unaudited)	215,421

Analysis for reporting purpose:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current	215,421	208,636
Non-current	-	51,783
	215,421	260,419

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

22. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised		
1 January 2019 and 30 June 2019	50,000,000	5,000,000
Issued and fully paid		
At 1 January 2019	1,328,638	132,864
Issue of shares upon exercise of share options	2	–
At 30 June 2019	1,328,640	132,864
		Amount RMB'000
Shown in the condensed consolidated financial statements as:		
At 30 June 2019 (Unaudited)		106,800
At 31 December 2018 (Audited)		106,800

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23. SHARE OPTION SCHEMES

(a) The Company

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

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2019 '000	Lapsed during the period '000	Exercised during the period '000	Outstanding at 30 June 2019 '000
Directors	29 September 2014	N/A	520	-	-	520
		29/9/2014 – 28/9/2015	1,014	-	-	1,014
		29/9/2014 – 28/9/2016	1,014	-	-	1,014
		29/9/2014 – 28/9/2017	498	-	-	498
	30 April 2015	30/4/2015 – 29/4/2016	376	-	-	376
		30/4/2015 – 29/4/2017	375	-	-	375
		30/4/2015 – 29/4/2018	375	-	-	375
	18 March 2016	18/3/2016 – 17/3/2017	367	-	-	367
		18/3/2016 – 17/3/2018	366	-	-	366
		18/3/2016 – 17/3/2019	366	-	-	366
	27 November 2018	27/11/2018 – 26/11/2019	934	-	-	934
		27/11/2018 – 26/11/2020	933	-	-	933
		27/11/2018 – 26/11/2021	933	-	-	933
			8,071	-	-	8,071
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	4,143	(7)	-	4,136
		29/9/2014 – 28/9/2015	8,559	(7)	-	8,552
		29/9/2014 – 28/9/2016	8,559	(7)	-	8,552
		29/9/2014 – 28/9/2017	4,298	-	-	4,298
	30 April 2015	30/4/2015 – 29/4/2016	5,733	(56)	-	5,677
		30/4/2015 – 29/4/2017	5,732	(56)	-	5,676
		30/4/2015 – 29/4/2018	5,732	(56)	-	5,676
	18 March 2016	18/3/2016 – 17/3/2017	6,080	(30)	(1)	6,049
		18/3/2016 – 17/3/2018	6,080	(30)	(1)	6,049
		18/3/2016 – 17/3/2019	6,078	(29)	-	6,049
	27 November 2018	27/11/2018 – 26/11/2019	5,555	-	-	5,555
		27/11/2018 – 26/11/2020	5,555	-	-	5,555
		27/11/2018 – 26/11/2021	5,555	-	-	5,555
			77,659	(278)	(2)	77,379
Total			85,730	(278)	(2)	85,450
Weighted average exercise price at the date of exercise (HKD)			6.25			5.76

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23. SHARE OPTION SCHEMES (Continued)

(a) The Company (Continued)

The Group recognised the total expense of RMB6,707,000 for current interim period (six months ended 30 June 2018: RMB6,548,000) in relation to share options granted by the Company.

During the current interim period, 278,000 share options to employees were lapsed and 2,000 share options to employees were exercised.

(b) Fantasia Holdings

The following table discloses movements of Fantasia Holdings' share options held by directors of the Company and employees of the Group during the current interim period:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2019 '000	Lapsed during the period '000	Exercised during the period '000	Outstanding at 30 June 2019 '000
Directors of the Company	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 Group	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

No expense for the six months ended 30 June 2019 and 2018 in relation to share options granted by Fantasia Holdings to the eligible directors and employees to the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. 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 as incentives or rewards for their contribution or potential contribution to the Group by way of the Company’s shares acquired by and held through an independent trustee (the “Trustee”) appointed by the Company until fulfilment of special conditions before vesting.

At 31 December 2018, a total of 1,597,000 Company’s shares were held for the Share Award Scheme and the aggregate consideration paid for these shares in an amount of RMB5,585,000 was deducted from shareholders’ equity.

During the current interim period, a total of 236,000 Company’s shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB853,000.

During the current interim period, 1,833,000 shares held for the Share Award Scheme were awarded to eligible employees or consultants of the Group for their performance and contribution of the Group. The fair value of the awarded shares at the date of grant of RMB6,567,000 were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB129,000 was credited to retained profits.

At 30 June 2019, no share was held under the Share Award Scheme.

25. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2019

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition date	Equity interest acquired	Consideration RMB’000
北京達爾文國際酒店物業管理有限公司 Beijing Darwin International Hotel Property Management Co., Ltd. (“Beijing Darwin”)	PRC	31 March 2019	51%	97,920
深圳市閑閑科技有限公司 Shenzhen Xianxian Technology Co., Ltd. (“Shenzhen Xianxian”)	PRC	31 March 2019	72%	1,808

During the six months ended 30 June 2019, 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 value-added services and the objectives of acquisition are expansion of property management services and value-added services of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2019 (Continued)

Consideration transferred

	Beijing Darwin	Shenzhen Xianxian	Total
	RMB'000	RMB'000	RMB'000
Cash consideration paid in current period	9,438	1,808	11,246
Deposits paid in prior years	59,168	–	59,168
Consideration payable due within one year included in other payables	29,314	–	29,314
	<u>97,920</u>	<u>1,808</u>	<u>99,728</u>

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the period and included in the “administrative expenses” line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed at the dates of acquisition are as follows:

	Beijing Darwin	Shenzhen Xianxian	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	383	9	392
Interest in an associate	842	–	842
Intangible assets	82,400	–	82,400
Trade receivables	6,639	–	6,639
Other receivables	5,448	292	5,740
Bank balances and cash	31,241	–	31,241
Contract liabilities	(18,644)	–	(18,644)
Trade payables	(4,702)	–	(4,702)
Other payables and accruals	(12,072)	(622)	(12,694)
Receipts on behalf of residents	(5,820)	–	(5,820)
Amounts due to non-controlling shareholders of the subsidiaries	(3,315)	–	(3,315)
Deferred tax liabilities	(20,600)	–	(20,600)
	<u>61,800</u>	<u>(321)</u>	<u>61,479</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2019 (Continued)

The trade receivables and other receivables acquired with a fair value of RMB12,379,000 as at the date of acquisitions during the six months ended 30 June 2019, 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 acquisition

	Beijing Darwin RMB'000	Shenzhen Xianxian RMB'000	Total RMB'000
Consideration transferred	97,920	1,808	99,728
Add: non-controlling interests	30,282	–	30,282
Less: fair value of net identifiable assets/liabilities acquired	(61,800)	321	(61,479)
Goodwill arising on acquisition	66,402	2,129	68,531

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.

Goodwill was arisen on the acquisitions of subsidiaries during six months ended 30 June 2019, 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 RMB82,400,000 in relation to the acquisition of subsidiaries under property management services have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the six months ended 30 June 2019 *(Continued)*

Net cash inflows arising on acquisition

	RMB'000
Cash consideration paid	(11,246)
Bank balances and cash acquired	31,241
	19,995

Impact of acquisition 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 period during the current interim period are as follows:

	Six months ended 30 June 2019 RMB'000
Revenue	34,795
Profit for the period	4,498

Had the above acquisition been completed on 1 January 2019, the total Group's revenue and profit for the current interim period would be as follows:

	Six months ended 30 June 2019 RMB'000
Revenue	1,896,246
Profit for the period	237,293

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 current interim period that actually would have been achieved had the acquisition been completed on 1 January 2019 nor is it intended to be a projection of future results.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 30 June 2018

Name of subsidiaries acquired	Place of establishment/ incorporation	Acquisition date	Equity interest acquired	Consideration RMB'000
泗陽嘉華物業管理有限公司 Siyang Jiahua Property Management Co., Ltd.	PRC	31 March 2018	80%	2,580
江蘇志遠物業服務有限公司 Jiangsu Zhiyuan Property Services Co., Ltd.	PRC	31 March 2018	85%	3,009

During the six months ended 30 June 2018, 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.

Consideration transferred

	RMB'000
Deposits paid in prior years	5,589

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the period ended 30 June 2018 *(Continued)*

Consideration transferred *(Continued)*

Assets acquired and liabilities assumed at the dates of acquisition are as follows:

	RMB'000
Trade receivables	905
Other receivables	1,251
Payments on behalf of residents	5,747
Amounts due from certain subsidiaries of the Company	1,053
Amounts due from non-controlling shareholders of the subsidiaries	759
Bank balances and cash	215
Trade payables	(93)
Other payables and accruals	(637)
Receipts on behalf of residents	(2,040)
Amounts due to certain subsidiaries of the Company	(9,625)
Amounts due to non-controlling shareholders of the subsidiaries	(203)
	(2,668)

The receivables (including trade receivables, other receivables, payments on behalf of residents, amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries) acquired with a fair value of RMB9,715,000 as at the dates of acquisition during the six months ended 30 June 2018, are approximate to gross contractual amounts, with no significant contractual cash flows not expected to be collected.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	5,589
Add: non-controlling interests	(483)
Less: fair value of net identifiable liabilities acquired	2,668
	7,774

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable liabilities at the acquisition dates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 30 June 2018 (Continued)

Goodwill was arisen on the acquisitions of subsidiaries during six months ended 30 June 2018, 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.

None of the goodwill arising on the acquisition are expected to be deductible for tax purposes.

Net cash inflows arising on acquisition

	RMB'000
Bank balances and cash acquired	215

26. CAPITAL AND OTHER COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	35,972	61,106
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	30,246	29,203

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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 quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are 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		Fair value hierarchy	Valuation technique and key input
	30 June 2019	31 December 2018		
	RMB'000	RMB'000		
Financial assets at FVTPL				
– Money market fund investments	30,600	26,062	Level 2	Market approach – Expected performance of government debentures, treasury notes, corporate bonds and short-term fixed deposits.
Equity instruments designated at FVTOCI	119,255	120,455	Level 3	Discounted cash flow – Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflects the internal rate of return.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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

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

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values, except for the following financial liabilities, for which their carrying amounts and fair values are disclosed as below:

		30 June 2019		31 December 2018	
	Fair value hierarchy	Carrying amount	30 June 2019	Carrying amount	31 December 2018
		RMB'000 (Unaudited)	Fair value	RMB'000 (Audited)	Fair value
			RMB'000		RMB'000
Unlisted corporate bonds	Level 3	217,946	221,903	315,501	319,073
Assets backed securities issued	Level 3	215,421	221,688	260,419	268,483

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

Apart from the related party transactions disclosed elsewhere in the condensed consolidated financial statements, the Group had following significant transactions with related parties during the interim period:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Pre-delivery services income		
Fellow subsidiaries	29	89
Consultancy services income		
Related parties	–	467
Online promotion services income		
Entities controlled by Mr. Pan Jun, a director of the Company	16,478	25,306
A joint venture	5,660	3,438
An associate	229	–
Engineering services income		
Fellow subsidiaries	8,426	39,095
Associates	98	44
Other value-added services		
Fellow subsidiaries	4	7,176
An entity controlled by Mr. Pan Jun, a director of the Company	1,358	1,358
An associate	–	1,130
Interest expenses		
A fellow subsidiary	316	316
Interest income		
Mr. Tang Xuebin, a director of the Company	–	9

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

28. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	7,109	9,346
Post-employment benefits	183	299
Share-based payments	1,386	1,610
	8,678	11,255

(c) Compensation of key management personnel

As at 30 June 2019, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB54,404,000 (31 December 2018: RMB191,033,000) in aggregate.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 July 2019, the Company entered into two subscription agreements with two independent investors in relation to the issuance of 94,105,000 new ordinary shares of the Company in aggregate at the consideration of HK\$5.22 per share.



In The People's Republic Of China Headquarters

Add: Room 03-09, 12th Floor, Building B Qixing Commercial Plaza, Meilong Road and Minwang Road Cross Mingzhi Street, Longhua District, Shenzhen, the PRC

Post Code: 518000 Fax: 86-755-3393 0881

Tel: 1010-1778 [Http://gw.colourlife.com](http://gw.colourlife.com)