Colour Life Services Group Co., Limited

Stock code: 1778

SERVICE TO YOUR FAMILY

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Pan Jun (Chairman)
Mr. Chen Xinyu
Mr. Huang Wei
(Chief Executive Officer)

Non-executive Directors

Mr. Tang Xuebin
Mr. Zhou Hongyi

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Luo Shuyu

AUTHORISED REPRESENTATIVES

Mr. Chen Xinyu
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 1203–09
Qixing Commercial Plaza B
Meilong Avenue
Long Hua District
Shenzhen,
the PRC

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

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

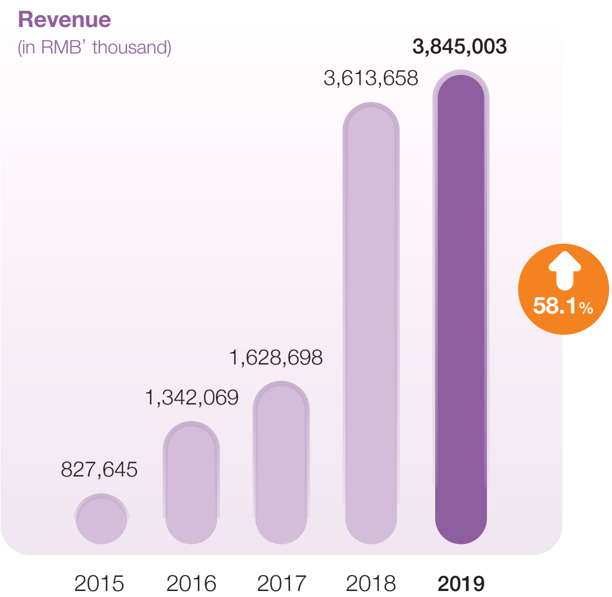
HONG KONG BRANCH SHARE REGISTRAR

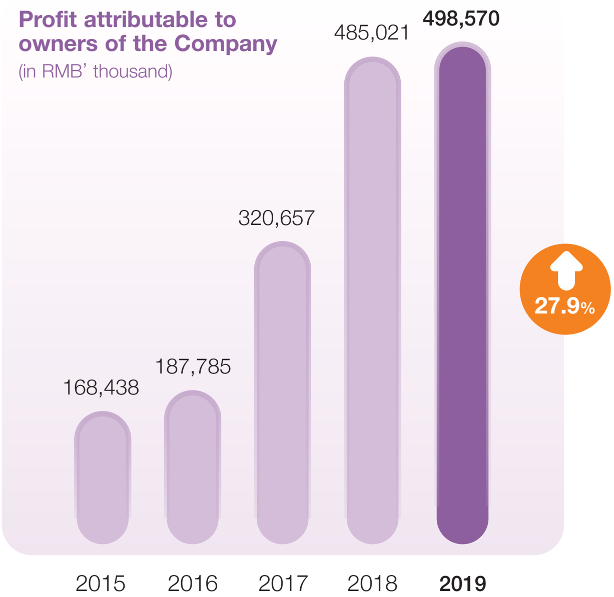
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

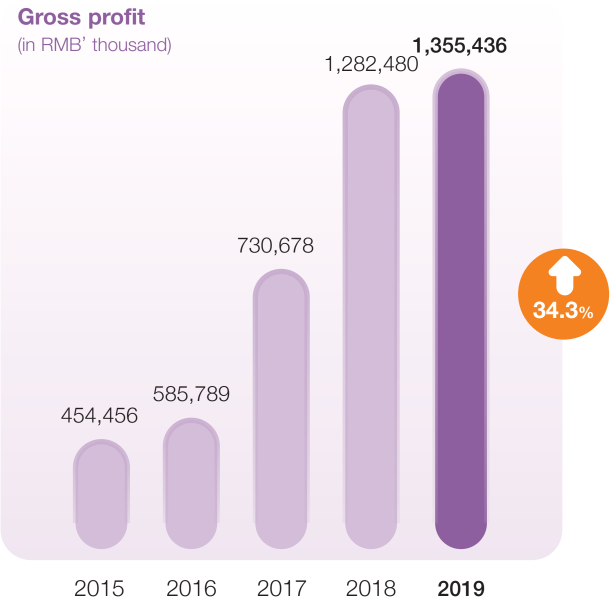
PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

Bank of China Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

FINANCIAL HIGHLIGHTS







	2015	2016	2017	2018	**2019**
Revenue	827,645	1,342,069	1,628,698	3,613,658	**3,845,003**
Gross profit	454,456	585,789	730,678	1,282,480	**1,355,436**
Profit attributable to owners of the Company	168,438	187,785	320,657	485,021	**498,570**
Basic earnings per share *(RMB cents)*	16.84	18.78	32.19	37.90	**36.48**
Total assets	2,719,156	4,022,608	8,812,109	10,066,293	**9,375,943**
Total liabilities	1,418,424	2,490,136	5,306,930	6,810,154	**5,323,947**
Bank balances and cash	419,478	754,837	1,847,528	2,666,922	**1,721,228**

HONORS
AND AWARDS

In 2019 Colour Life was granted the honors and awards as follows:

1. In January 2019, Colour Life Services Group was granted the "2018 Charity Innovation Award" at the 8th China Charity Festival.

2. In March 2019, Colour Life Services Group was accredited as one of the "Top 30 Property Services Companies of China in 2019" by Guandian Property & Co.

3. On 23 May 2019, China Real Estate Association and China Real Estate Evaluation Centre under Shanghai E-house Real Estate Research Institute jointly convened the Press Conference on Evaluation Results of China's Listed Real Estate Companies 2019 and the First Press Conference on Evaluation Results of China's Listed Property Services Companies, at which Colour Life Services Group was awarded as the "2019 Top 10 Listed Company of Property Management Service in China".

Colour Life Services Group was granted the "2018 Charity Innovation Award" at the 8th China Charity Festival

Colour Life Services Group was accredited as one of the "Top 30 Property Services Companies of China in 2019" by Guandian Property & Co.

Colour Life Services Group was awarded as the "2019 Top 10 Listed Company of Property Management Service in China"

4. China Index Academy and China's Top 10 Real Estate Enterprises Research Team hosted the Press Conference on Research Results of 2019 Top 100 Property Management Companies in China and the Twelfth Summit for Top 100 Property Management Entrepreneurs in China on 24 May 2019. Colour Life Services Group won No. 1 in the "2019 Internet Community Operation Leading Companies" and the honor of "2019 China Leading Property Management Companies in terms of Characteristic Service – Intelligent Community". Wanxiangmei Property Management Co., Ltd., a subsidiary of Colour Life Services Group, received the titles of "2019 China Leading Property Management Companies in terms of Service Quality", "2019 Top 100 Property Management Companies in China" and "2019 China Top 10 Property Management Companies in terms of Growth Potential".

Colour Life Services Group was honored as one of the "2019 Internet Community Operation Leading Companies"

HONORS
AND AWARDS

Colour Life Services Group was honored as one of the "2019 China Leading Property Management Companies in terms of Characteristic Service – Intelligent Community"

Wanxiangmei Property Management Co., Ltd. was honored as one of the "2019 China Leading Property Management Companies in terms of Service Quality"

Wanxiangmei Property Management Co., Ltd. was honored as one of the "2019 Top 100 Property Management Companies in China"

Wanxiangmei Property Management Co., Ltd. was honored as one of the "2019 China Top 10 Property Management Companies in terms of Growth Potential"

5. Colour Life Services Group was accredited as the "Innovative Pioneer in Property Service of Guangdong-Hong Kong-Macao Greater Bay Area（粵港澳大灣區物業服務創新先鋒）" at the Press Conference on 2019 Guangdong-Hong Kong-Macao Greater Bay Area Investment White Paper and Greater Bay Area Diversified Investment Summit Forum（2019粵港澳大灣區投資白皮書發佈會暨灣區多元化投資高峰論壇）jointly hosted by CRIC Shenzhen Branch under E-house China and Di Xin Yin Li（地新引力）on 30 May 2019.

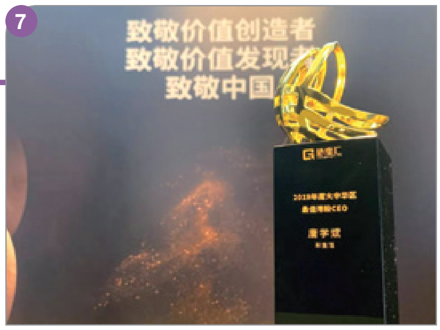
Colour Life Services Group was accredited as the "Innovative Pioneer in Property Service of Guangdong-Hong Kong-Macao Greater Bay Area（粵港澳大灣區物業服務創新先鋒）"

HONORS AND AWARDS

The WeChat account of Colour Life Services Group was awarded as one of the "Top 100 in Property Management Media Evaluation (物業管理媒體測評TOP100)"

6. The WeChat account of Colour Life Services Group was awarded as one of the "Top 100 in Property Management Media Evaluation (物業管理媒體測評TOP100)" at the 2019 Property Services Brands Development Forum (2019物業服務企業品牌發展論壇) held by China Property Association on 20 June 2019.

7. Mr. Tang Xuebin, CEO of Colour Life, was awarded as the "Best CEO of Hong Kong Listed Companies (港股上市公司最佳CEO獎)" at the awarding ceremony of the "Gelonghui First (2019) Best Listed Companies Selection (格隆匯•首屆(2019)最佳上市公司評選)" held in Shenzhen on 31 May 2019.



Mr. Tang Xuebin, CEO of Colour Life, was awarded as the "Best CEO of Hong Kong Listed Companies (港股上市公司最佳CEO獎)"

8. On 7 August 2019, the awarding ceremony of 2019 China Real Estate Fashion Award was held in Hainan, which is an important part of the Boao Real Estate Forum and has become one of the most highlighted annual event of the real estate industry. At the ceremony, Colour Life Services Group was granted the "2019 China Special Award of Social Responsibility (2019年度中國社會責任特別大獎)" and accredited as one of the "Top 10 Influential Property Service Brands in China of 2019 (2019中國年度影響力物業服務品牌TOP10)" by virtue of its remarkable comprehensive strength and huge development potential.

Colour Life was granted the "2019 China Special Award of Social Responsibility (2019年度中國社會責任特別大獎)"

HONORS
AND AWARDS

9. On 10 September 2019, the "Press Conference on Research Findings of China Real Estate Brand Value in 2019 and the 16th Development Summit for China Real Estate Brand" organised by China Real Estate Top 10 Research (中國房地產TOP10研究組) was held in Beijing. As a credit to its endeavors in exploring the smart community service platform mode and the value-added services, Colour Life was awarded the "2019 Marketing Operational Leading Brand of China Property Service Companies" and the "2019 Platform Leading Brand of China Property Service Companies" with a brand value of RMB7.005 billion.

10. On 26 November 2019, 36Kr Future City Summit under the theme of "Limited vs Unlimited Evolution (有限與無限進化)" was held in Beijing, at which Colour Life was granted the "Future City Operator" award. The award demonstrated the recognition by the society of Colour Life's continuous efforts in combining humanitarian care with innovations, and its practice in the exploration for the development of future urban communities.

9

Colour Life was awarded the "2019 Marketing Operational Leading Brand of China Property Service Companies"

9

Colour Life was awarded the "2019 Platform Leading Brand of China Property Service Companies"

10

Colour Life was granted the "Future City Operator" award

11

Colour Life was granted the "2019 Business Innovation Award for Listed Real Estate Enterprises in China"

11. On 12 December 2019, the 2019 Guru Club Real Estate Summit Forum (「高屋建瓴」房地產高峰論壇) organized by Gelonghui (格隆匯) was held in Shenzhen, where Colour Life was granted the "2019 Business Innovation Award for Listed Real Estate Enterprises in China" for its remarkable achievements in the exploration of new business modes and paths by seizing the opportunities of the era under the fast-changing economic environment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2019 marked the fifth anniversary of Colour Life's listing, as well as a year of rapid transformation and growth. At this important moment for summing up and looking forward, we wish to share our vision regarding the future development of Colour Life and the property management industry.

PROMOTING CONTINUOUS BUSINESS GROWTH TO MAINTAIN LEADING POSITON IN THE INDUSTRY

As the first community service provider listed in Hong Kong, Colour Life started on the journey of exploring opportunities for value appreciation of the industry at the capital market in 2014. Over the past five years, there was a boom of listing events in the property management industry, which has become a new dynamic investment segment at the capital market of Hong Kong. We witnessed increasing merger and acquisition activities in the industry with accelerated industry consolidation and the gradual integration of the Internet technology and intelligent devices with the traditional property management business, improving the quality and efficiency of property management operation. The outbreak of COVID-19 at the beginning of 2020 highlights the importance of property management industry as the frontline organization in fighting against the Epidemic, providing an opportunity for the companies with excellent execution and emergency responding capability such as Colour Life to differentiate themselves from their peers.

Over the past five years since its listing, Colour Life continued to lead the development trend of the property management industry. With the outstanding third-party expansion capability and through merger and acquisition activities, the Group achieved rapid expansion and became the largest community service operator in the country in terms of business size. As at 31 December 2019, the Contracted GFA of the Group reached 562.0 million sq. m., servicing 2,863 communities. The platform service area reached 1,210.7 million sq. m.. In addition, community activities such as the East Blink Day helped to create a caring community environment, enhancing the brand recognition of Colour Life as well as WXM and Kaiyuan International (both being subsidiaries of Colour Life).

The Group offered high quality property management services through continuous technology improvement, and achieved platform-based basic property management functions through "Big Dipper" strategy, reducing the labour costs and improving overall management efficiency. Colour Life gradually empowered the development of the industry through outputting the Caizhiyun platform to prominent partners in the industry one after another, while Colour Benefit Life and other products transformed "payment" into "consumption" which activated community consumption scenarios. In 2019, the strategic investments by JD.com (including its affiliates, hereinafter referred to as "JD.com") and 360 Security Technology Inc.（三六零安全科技股份有限公司）(including its affiliates, hereinafter referred to as "360.com") offered stronger support for the integration of Colour Life's offline and online businesses, marking it a new milestone in its development process.

In 2019, the Group continued to achieve steady growth in its results, and recorded total revenue and net profit attributable to owners of the Company of RMB3,845.0 million and RMB498.6 million for the year, representing a year-on-year increase of 6.4% and 2.8%, respectively.

CHAIRMAN'S STATEMENT

ADHERING TO ORIGINAL MISSIION AND CONSOLIDATING PRINCIPAL BUSINESSES

Property management companies serve as both the manager and service provider of the communities. We recognise that, regardless the development and innovation of the property management format, the basic property management businesses remain essential for the development of other online value-added businesses. Therefore, upholding the resident-oriented principle, that is to create a safe and comfortable living environment and provide prompt response to residents' needs, the Group made strenuous efforts to build smart communities.

Based on our in-depth understanding of the industry, Colour Life pioneered in promoting the technology and information-oriented transformation. Leveraging on its outstanding innovation strength and online technology operation capability, coupled with its well-established IT platform, the Group achieved the centralization, standardization and automation of various service functions in basic property management, reduced supervisory and management staff intervention, lowered labour costs and improved overall management efficiency, while continuing to provide high-quality property management services to the residents.

During the reporting period, the Group continued to push forward the Big Dipper strategy, which splits the entire property management process into various orders, covering seven major basic property service segments, namely E-Parking, E-Lift, E-Energy, E-Cleaning, E-Decoration, E-Payment and E-Complaint. Through introducing the platform-based system to control and assess the quality of management, it uses service delivery result as the basis for settlement, solving the difficult-to-quantify issue of the industry. In addition, it implemented various measures including delegating the responsibility to individual staff and delivering rewards and reprimands, so as to improve the service delivery capability. With the application of modern technology, the strategy helped to enhance service efficiency and shorten response time by seamlessly connecting the users and the frontline service staff, which has become one of the core competences of the Group.

PROMOTING COMMUNITY CARING TO ACHIEVE WIN-WIN RESULTS

With the development of the society and upgrade of service requirements by the residents, in addition to managing the environment of the communities, property management companies make great effort to enhance the relationship between the service staff and the residents, with an aim to achieve better management of social emotions. By improving the staff's awareness of providing better customer services and promoting relationship between neighbourhood and property management company, we are able to build up trust with our customers and break through the ceiling of the property management industry, so as to create common consensus and achieve win-win results.

During 2019, upholding the motto of "Promoting Community Caring", the Group took measures to enrich the community life for the residents. The Group held the "East Blink Day" across the country in June, attracting over 250,000 residents in more than 100 cities to participate in over 1,000 offline activities. The event organised various activities including exciting parent-child sports meetings, joyful neighbourhood public benefit fairs and sweet golden and silver wedding anniversary ceremonies, leaving residents with unforgettable memory of happy smiling faces. The Group is committed to building warm communities by providing the residents with a caring and comfortable living environment.

CHAIRMAN'S STATEMENT

In addition to serving as the manager of the community, Colour Life is committed to becoming a bridge of promoting neighbourhood relationship. Despite of the quick tempo of life, we endeavoured to deepen our understanding of the residents and thaw the human indifference among the residents by promoting interaction among all home owners in the community. As the old saying goes "A near neighbour is better than a distant cousin", Colour Life is dedicated to building a more harmonious smart community by promoting community caring and enhancing neighbourhood relationship, with an aim to develop the community into a happy and joyful family. By building a caring and harmonious community, it helped to mitigate the neighbourhood and service staff conflicts, so as to improve customer satisfaction towards our basic property management services and consolidate our principal businesses for group development, laying a solid foundation for the further development of diversified community businesses.

COLLABORATING WITH STRATEGIC PARTNERS TO LEAD FUTURE DEVELOPMENT

Through collaboration with partners from other industries, property management companies are keen to explore the ample cross-sector cooperation opportunities in various community scenarios. Leveraging on remarkable practice and experience in the exploration of community scenarios, products innovation and business models by the Group in the past, Colour Life entered into strategic cooperation agreements in respect of capital and business operation with JD.com and 360.com (a cornerstone shareholder) in July 2019, pursuant to which JD.com and 360.com subscribed for 71,149,000 and 22,956,000 new shares of Colour Life at the price of HK$5.22 per share, respectively. Upon completion of the aforesaid transactions during the year, the aggregate interests held by JD.com and 360.com in the Company accounted for 5.00% and 3.05%, respectively, of the enlarged share capital. Through collaboration with strategic partners via capital injection, we can mutually benefit from each other's business resources.

In recent years, rapid development of Internet technology has led to the concurrent booms of Internet traffic theory and e-commerce industry. Importance of offline customer flow started to show as the benefits from online customer flow diminished. Leveraging on the highly sticky offline customer flow from its involvement into the daily life of property owners, the property management industry is poised to seize the opportunity to cooperate with e-commerce enterprises.

On 18 October 2019, the Group and JD.com jointly launched the "JD Essence Business (京選業務)" to explore the new retail business of community-based group purchase through customization according to refined operations and users' needs. Through integration of the online and offline resources, the JD Essence Business will fully give play to the advantages of JD.com in e-commerce resources and operational capability as well as the extensive offline community resources of the Group. The launching of this new business model marked the beginning of cooperation between the Group and JD.com in the "community + commerce" and "community + logistics" scenarios. For the five months ended 18 March 2020, the total number of JD Essence Stores reached 5, covering 6 communities with 12,000 families under the management of the Group, for which the Group provides favourable and convenient services. In the future, the JD Essence Business will expand from a single sector to extensive business network and gradually cover all communities managed by the Group, so as to provide exclusive benefits to the property owners of the Group, break the value boundaries of the traditional property management industry and explore new opportunities of the community retail business.

In the future, leveraging on its strength in the security sector, 360.com will join hands with the Group to explore the innovative integrated business models of "community + technology" and "community + security", with an aim to build safe smart communities for property owners through introduction of new technologies and upgrading of hardware facilities. This breakthrough in respect of community security achieved by the Group will lay a solid foundation for the construction of smart communities.

CHAIRMAN'S STATEMENT

PROSPECTS

The community service industry in China will undergo a progressive development from "Community 1.0" to "Community 2.0" and then to "Community 3.0" in the future. "Community 1.0" aims to meet the owners' rigid demands through providing "security, cleaning, greening and maintenance" basic services (namely "Four Guarantees") to improve their satisfaction; "Community 2.0" aims to build a more harmonious community through carrying out a wider variety of themed community activities and create a closer and more trustful relationship with the owners; and "Community 3.0" aims to further explore the consumption scenarios through offering the owners with various additional services, making property management services a much more important part of the owner's life.

Looking back, Colour Life has been leading the development trend of the industry. Looking ahead, Colour Life is well positioned to continue to consolidate its offline property management business as the foundation of its business development, enhance neighborhood relationship and create a more harmonious community. In addition, Colour Life will increase its efforts to explore various consumption scenarios and promote business development empowered with online value-added services, developing itself into the service provider not only has the largest service area, but also owns the most diversified product portfolios and best service quality, so as to better meet the people's needs for a beautiful life in the future and live up to our promise of "Service to Your Family".

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading property management and community services provider in China, focuses on setting up offline and online service platform via the Internet technology 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 services.

As communities constitute the smallest social component of the city, a stable and convenient living environment for the residents of the community is essential to the development of the society. The Group strives to meet the basic living needs of the residents through providing Four Guarantees services (defined as cleaning, greening, security and maintenance services). Such basic property management services constitute the cornerstone of community services system.

Following the in-depth implementation of smart community construction, the Group proactively utilises the new technologies from the Internet, deepens the application of technologies like big data and artificial intelligence, and focuses on investments in intelligent equipment, and enhancing the Group's efficiency in providing high quality property management services. The Group has established a powerful head office digital "cloud" system, which strengthened the service capacity of the "terminal" and minimize the dependency on function and scope of "management", so as to organise effective community services. For instance, the Group put forward the Big Dipper strategy, by implementing the order-oriented modification on the seven major functions of E-Parking, E-Lift, E-Energy, E-Cleaning, E-Decoration, E-Payment and E-Complaint, the Group has initially divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

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 in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, the Group is also dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship between the residents and enrich their off-work life, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for the homeowners, so as to enhance their trust in the Group. The improvement of our relationship with the homeowners also laid a solid foundation for our effort to further expand community consumption scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

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 for residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of 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 one of the key drivers of the core competitiveness and performance growth of Colour Life.

During the reporting period, the Group succeeded in concluding an important collaboration. On 19 July 2019, the Group reached agreements with JD.com and 360.com, 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. Upon completion of the aforesaid transactions during the year, the aggregate interests held by JD.com and 360.com in the Company accounted for 5.00% and 3.05%, respectively, of the enlarged share capital.

In the future, JD.com and the Group will cooperate in community-based new retail model, establishing front-end warehouses, logistics distribution and enhancement of platform experience. At the same time, based on the technological experience accumulated by 360.com in the field of core security, the Group will cooperate with 360.com in aspects like security, big data, Internet of Things and artificial intelligence. Through the cooperation with JD.com and 360.com to explore "community +" strategy, the online and offline operation capabilities of Colour Life will be further enhanced to improve the living experience of property owners, so as 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 contracts will be incorporated into the Group's Managed 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 Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Total Contracted GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service arrangements with regional property management companies. The area under the consultancy services contracts will be incorporated into the Group's Consultancy GFA. Aforementioned Managed GFA and Consultancy GFA of the Group are collectively referred to as Total Contracted GFA.

MANAGEMENT DISCUSSION AND ANALYSIS

On the other hand, the Group provided the underlying technology of Caizhiyun APP for prominent partners in the industry. Today, Caizhiyun APP can serve the communities for which our partners have provided property management services. The area managed by our partners is called the "cooperated and allianced GFA". The aggregate area of Caizhiyun platform's coverage over such communities is collectively referred to as the "platform service area".

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience, the newly engaged management area during the reporting period reached 22.6 million sq.m., demonstrating the Group's core competitive strengths on service quality and market expansion. As at 31 December 2019, the Total Contracted GFA of the Group had reached 562.0 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,863, representing a year-on-year growth of 1.5% and 5.7%, respectively. As at 31 December 2019, the area of the Group's revenue-bearing GFA reached 359.7 million sq.m. and the number of communities reached 2,321.

At the same time, the Group is actively building up an online platform for its community services, and through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. As of 31 December 2019, the platform service area of the Group had reached 1,210.7 million sq. m., which included 562.0 million sq. m. of Total Contracted GFA, 648.7 million sq. m. of cooperated and allianced GFA. The projects that the Group served cover 279 cities in China and 1 overseas country, namely Vietnam, fully demonstrating the technological strength of the Group's online platform.

During the reporting period, the Group entered into a cooperation agreement with Phu My Hung Development Corporation (a company based in Vietnam), pursuant to which both parties jointly made contribution to establish an associate in Vietnam, i.e. Hung Thai Technology Company Limited (hereafter referred to as "Hung Thai Technology"), which will be responsible for the management of property projects in Vietnam. Meanwhile, the Group will provide platform technology and license it to Hung Thai Technology, including guidance on cloud platform technology, assistance for it to build smart communities by leveraging on our cloud platform, etc.. As of 31 December 2019, the Total Contracted GFA of Hung Thai Technology's subsidiary reached approximately 3.15 million sq.m. with 75 projects. Meanwhile, Livin PMH, the Vietnamese version of Caizhiyun APP, has also been launched, which mainly provides the users with basic property management functions and business information services. As of 31 December 2019, the number of online commercial tenants in Livin PMH amounted to 1,315, demonstrating the acceptance and recognition of intelligent community system with Colour Life feature in the Vietnamese market.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to extending the online platform or providing the relevant technical guidance 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 coupon when the users make a purchase on the Changsha Gardener APP. This new model has encouraged the general public to participate in the process of building a secure city as well as their harmonious communities, extremely well received by the Changsha Municipal Government. As at 31 December 2019, register users of the Changsha Gardener APP amounted to 5.53 million. Taking patrol orders as example, there were a total of approximately 1.05 million people participating in the patrol service since the launch of such service up to 31 December 2019, with a total patrol route length of approximately 1.59 million kilometers. The successful launching of such innovative application indicates that the Group's online platform technology has a wider application, and it will have greater space for development in the future.

In addition, following signing the comprehensive strategic cooperation agreement with JD.com, the Group officially entered the new community retail business by jointly launching the "JD Essence Business（京選業務）", providing property owners served by the Group with exclusively convenient and favourable services. The property owners can place orders at a lower price via the online Wechat mini program, and then pick up the products purchased from the offline stores located at the communities managed by the Group. Under this model, JD.com is in charge of product selection and logistics supply, providing 9 categories of goods covering fresh produce and delicious food, snacks, personal care products, household products, quality mother-and-baby products, alcoholic drinks and dairy beverage, outdoor sports equipment, digital appliance, pets and vehicles. Leveraging on the offline space and staff advantages of the Group, and coupled with the advantages of JD.com in e-commerce business, this business aims to explore the new business mode of community retail.

On 18 October 2019, the first "JD Essence Community Membership Store（京選社區會員店）" ("JD Essence Store") in Colour Life community commenced operation in Shenzhen, representing the first solid step in developing off-line community retail sector by the Group after signing the comprehensive strategic cooperation agreement with JD.com, and also the prelude of a series of cooperation between the two parties based on the business scenarios of "Community + Commerce" and "Community + Logistics". For the five months ended 18 March 2020, the first JD Essence Store received 22,044 orders from the property owners served by the Group with a transaction amount of RMB0.6 million, achieved a space efficiency of approximately 14.7 times with traditional stores in the first month. Meanwhile, the total number of JD Essence Stores reached 5, covering 6 communities with 12,000 families under the management of the Group, demonstrating the completeness and replicability of the business mode. The Group will join hands with JD.com to further explore the commercial scenario sector in communities, and make continuous efforts to build warm and intelligent community, with an aim to offer the property owners with the best living experience.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the locations of communities where the Group provided management, consultancy services and which the Group cooperated with 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 Ruijin
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 Jiaxing
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
106 Qufu
107 Maanshan
108 Yixing
109 Taizhou
110 Yuyao
111 Zhuji
112 Heze
113 Huangshan
114 Ledong
115 Tongling
116 Anqing

Southwestern China
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 Guangyuan
145 Neijiang
146 Duyun
147 Fuquan
148 Longli
149 Majiang
150 Bazhong
151 Wuzhou
152 Bijie
153 Emeishan
154 Leshan
155 Liupanshui
156 Qiandongnan Miao and Dong 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

Northwestern 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

Northern China
207 Beijing
208 Qinhuangdao
209 Tianjin
210 Shijiazhuang
211 Baotou
212 Tongliao
213 Wuhai
214 Taiyuan
215 Tangshan
216 Hulunbuir
217 Ulanqab
218 Langfang
219 Datong
220 Baoding
221 Changzhi
222 Hohhot
223 Xingtai
224 Chengde
225 Cangzhou
226 Xinzhou
227 Luliang
228 Renqiu
229 Hengshui

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

Overseas
280 Vietnam

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the Group recorded a sustained growth in platform service area. The following table sets out the contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with in different regions as at the dates indicated below:

	As at 31 December 2019						As at 31 December 2018					
	Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
Shenzhen	9,596	127	727	16	193	5	9,833	132	753	18	193	4
Southern China (excluding Shenzhen)	90,680	570	2,126	8	74,932	605	90,649	565	2,589	8	71,085	589
Eastern China(1)	145,195	951	2,469	8	67,074	477	142,665	861	2,019	7	53,332	414
Southwestern China	99,285	385	967	3	92,247	398	100,083	402	968	3	91,499	388
Northeastern China	21,075	98	1,680	8	8,622	51	21,462	99	1,216	8	3,301	6
Northwestern China(2)	16,347	85	3,506	2	50,351	501	16,687	91	3,506	2	46,603	453
Northern China(3)	35,839	145	150	2	41,551	69	35,221	142	2	1	7,826	47
Central China(4)	132,087	454	300	1	60,616	351	125,699	369	300	1	44,760	314
Overseas(5)	–	–	–	–	3,149	75	–	–	–	–	–	–
Total(6)	550,104	2,815	11,925	48	398,735	2,532	542,299	2,661	11,353	48	318,599	2,215

Notes:

(1) The Group newly established its presence in Anqing as at 31 December 2019.

(2) The Group newly established its presence in Pengyang and Yangling as at 31 December 2019.

(3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang, Renqiu and Hengshui as at 31 December 2019.

(4) The Group newly established its presence in Jingshan, Huangshi and Yingcheng as at 31 December 2019.

(5) The Group newly established its presence in Vietnam as at 31 December 2019.

(6) As at 31 December 2019, the Group's platform service area reached 1,210.7 million sq.m., including 562.0 million sq.m. of Total Contracted GFA, 648.7 million sq.m. of cooperated and allianced GFA.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the Group managed 2,815 communities with an aggregate contracted GFA of approximately 550.1 million sq.m. and entered into consultancy service contracts with 48 communities with an aggregate contracted GFA of approximately 11.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with during the reporting period:

	As at 31 December 2019						As at 31 December 2018					
	Managed by the Group		**Under the Group's consultancy service arrangements**		**Cooperated with the Group**		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Contracted GFA ('000 sq.m.)	**Number of communities**	**Contracted GFA ('000 sq.m.)**	**Number of communities**	**Contracted GFA ('000 sq.m.)**	**Number of communities**	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
As at the beginning of the year	**542,299**	**2,661**	**11,353**	**48**	**318,598**	**2,215**	404,269	2,271	31,715	113	214,230	1,470
New engagements [(1)]	**22,044**	**260**	**598**	**2**	**–**	**–**	69,938	195	4,328	2	–	–
Acquisitions [(2)]	**1,231**	**9**	**–**	**–**	**–**	**–**	53,839	279	–	–	–	–
New cooperation [(3)]	**–**	**–**	**–**	**–**	**80,490**	**321**	–	–	–	–	104,369	745
Transfer from consultancy service to self-management [(4)]	**–**	**–**	**–**	**–**	**–**	**–**	23,547	65	(23,547)	(65)	–	–
Termination [(5)]	**(15,470)**	**(115)**	**(26)**	**(2)**	**(353)**	**(4)**	(9,294)	(149)	(1,143)	(2)	–	–
As at the end of the year	**550,104**	**2,815**	**11,925**	**48**	**398,735**	**2,532**	542,299	2,661	11,353	48	318,599	2,215

Notes:

(1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.

(2) The Group acquired Beijing Darwin International Hotel Property Management Co., Ltd. ("Beijing Darwin") and Taian Good Living Property Management Co., Ltd. ("Taian Good Living") to expand its Managed GFA and gain synergy after the acquisition.

(3) Through platform cooperation 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 for which it provided consultancy service previously, resulting in the relevant communities under the Group's consultancy service arrangements transferred into those 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 for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and
- 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) provision of automation and other equipment upgrade services; and (iv) provision of energy-saving services.

Scope of Services for Property Management Services

As at 31 December 2019, the Group employed over 53,060 on-site personnel (including staffs employed by the Group and the staffs 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 under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 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	**0.4–11.4**	**1.8–16.9**	0.4–10.9	1.0–8.0
Southern China (excluding Shenzhen)	**0.5–5.9**	**0.7–16.9**	0.5–5.9	0.7–8.0
Eastern China(1)	**0.4–17.0**	**1.1–16.0**	0.4–9.4	0.8–8.8
Southwestern China	**0.5–6.1**	**0.3–25.0**	0.4–6.1	0.3–6.8
Northeastern China	**0.4–3.3**	**2.0–18.0**	0.4–3.3	2.0–6.0
Northwestern China(2)	**0.5–4.0**	**1.4–22.7**	0.5–3.9	1.1–7.0
Northern China(3)	**0.7–5.5**	**1.2–25.0**	0.6–4.5	1.0–8.0
Central China(4)	**0.6–5.3**	**0.9–16.9**	0.6–3.0	0.9–5.0

Notes:

(1) The Group newly established its presence in Anqing as at 31 December 2019.

(2) The Group newly established its presence in Pengyang and Yangling as at 31 December 2019.

(3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang, Renqiu and Hengshui as at 31 December 2019.

(4) The Group newly established its presence in Jingshan, Huangshi and Yingcheng as at 31 December 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 recognize all property management fees charged from the property owners as revenue and pay the expenses related to property management from the property management fees. Accordingly, the related costs are recognized 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 for the property developers in preparation for the pre-sale activities and recognizes 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 value-added services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on 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 value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future. As at 31 December 2019, the Group provided consultancy services for 48 communities and the Consultancy GFA was 11.9 million sq.m..

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value-added services for community 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 on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management, consultancy or which the Group cooperates with, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

MANAGEMENT DISCUSSION AND ANALYSIS

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 have developed rapidly. Specifically, the E-Energy has established a strategic cooperation partnership with Tencent Park and successfully entered the Vietnam market. With number of users continuing to rise, in order to reflect the actual operation more realistically, we decided to change the statistical criteria of registered and active users to the ecosystem standard with effect from 2018, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 31 December 2019, registered users of Colour Life's ecosystem increased to approximately 36.4 million, of which 16.7 million were ecosystem active users. For the year ended 31 December 2019, the accumulated GMV ("Gross Merchandise Volume") of Colour Life's online platform reached approximately RMB12,129.6 million, representing a year-on-year increase of 28.4%. The accumulated value-added services revenue was RMB401.3 million. The gross profit margin remained at a relatively high level of 92.6%, contributing a profit of 31.3%.

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 consumptions on the Caizhiyun platform, thereby offering cost saving to buyers in future. For the year ended 31 December 2019, the accumulated sales of products under the Colour Life Parking Lots amounted to over 4,000 units, driving the revenue of sales and rental assistance up to RMB147.3 million. The product of Colour Life Parking Lots facilitated good interactions between the Group and property developers, helping the Group to gain property service resources. On the other hand, it facilitated the accumulation of a large amount of meal coupons returned by 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.

Since last year, the Group cooperated with Colour Benefit Life which combined the community-based new retail model with the scene of paying property management fees. When purchasing goods and services required for daily life through Colour Benefit Life, community residents can deduct the property management fees that they need to pay. Due to the accurate grasp of the demands of residents by first-line employees of the Group and the trust of the residents in the Group, marketing expenses of the goods and service suppliers are reduced, and these suppliers will return the partially reduced marketing expenses to the property owners as property management fee. Colour Benefit Life allows property owners to enjoy the benefit 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. For the year ended 31 December 2019, the accumulated GMV of Colour Benefit Life was RMB532.4 million.

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 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 for projects that it provides management, consultancy services for and cooperates with, and charges amount of usage fees from using information system software.

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing 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 receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting 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 for 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 for 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.

In 2019, the Group continued to carry out the Internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened 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, replace labour with equipment, save energy and posts, enhance 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 promptly 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 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 for 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 offers intelligent improvement services to property developers' parking lots which improves the quality of properties delivered to property owners.

Service fees 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.

Community automation services (also referred to as "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. The community automation services income was recategorised to value-added services as a result of the adoption of HKFRSs 16 since 1 January 2019.

Service fees from provision of energy-saving services

The Group renders energy-saving services to communities that it provides management, consultancy services or which it cooperates with, 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 year ended 31 December 2019, the total revenue increased by 6.4% to approximately RMB3,845.0 million from approximately RMB3,613.7 million of last year.

The increase in revenue was primarily attributable to the revenue contribution by the projects acquired in the second half of 2018 and 2019 as well as the projects entrusted by certain property developers in 2019.

	For the year ended 31 December					
	2019		2018		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	**3,341,501**	**86.9%**	3,064,059	84.8%	277,442	9.1%
Value-added services	**401,301**	**10.4%**	408,419	11.3%	(7,118)	(1.7%)
Engineering services	**102,201**	**2.7%**	141,180	3.9%	(38,979)	(27.6%)
Total revenue	**3,845,003**	**100.0%**	3,613,658	100.0%	231,345	6.4%

Property Management Services

For the year ended 31 December 2019, revenue from property management services increased by 9.1% to approximately RMB3,341.5 million from approximately RMB3,064.1 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2019		2018		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management service fees under commission basis	**196,041**	**5.1%**	181,556	5.0%	14,485	8.0%
Property management service fees under lump sum basis	**2,989,342**	**77.8%**	2,605,521	72.2%	383,821	14.7%
Pre-delivery services	**123,695**	**3.2%**	253,546	7.0%	(129,851)	(51.2%)
Property management consultancy service fees	**32,423**	**0.8%**	23,436	0.6%	8,987	38.3%
Total of property management service fees	**3,341,501**	**86.9%**	3,064,059	84.8%	277,442	9.1%

Such increase was mainly attributable to:

(a) An increase of approximately RMB14.5 million in revenue from service fees under commission basis for the year ended 31 December 2019 due to a slight increase in the average charges of all projects;

(b) As at 31 December 2019, the revenue-bearing GFA under lump sum basis increased by approximately 6.5 million sq.m. or approximately 6.0% to approximately 115.7 million sq.m. from approximately 109.2 million sq.m. in 2018. The increase in GFA led to an increase in revenue from service fees under lump sum basis of approximately RMB383.8 million or approximately 14.7%, which was mainly due to the Group's acquisition of property management projects through acquisition of equity interests in Beijing Darwin and Taian Good Living in 2019 and Hangzhou Zhuosheng Property Management Co., Ltd. and Guangxi Colour Life Zhongshi Property Services Co., Ltd. in December 2018, as well as the conversion of certain pre-delivery service projects into property management projects under lump sum basis;

(c) A decrease in revenue from service fees charged for rendering pre-delivery services for the year ended 31 December 2019 of approximately RMB129.9 million as compared to that of last year, which was mainly due to the conversion of pre-delivery service projects into property management projects under lump sum basis upon the delivery of completed properties to buyers;

(d) An increase in revenue from fees charged under consultancy service contracts of approximately RMB9.0 million to approximately RMB32.4 million due to the increase in fees charged to the property management companies benefitting from the high quality of consultancy services rendered.

Value-Added Services
For the year ended 31 December 2019, value-added services income decreased by 1.7% to approximately RMB401.3 million from approximately RMB408.4 million of last year.

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

	For the year ended 31 December					
	2019		2018		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Sales and rental assistance	**147,316**	**3.8%**	146,612	4.0%	704	0.5%
Online promotion services	**148,295**	**3.9%**	169,448	4.7%	(21,153)	(12.5%)
Other value-added services	**105,690**	**2.7%**	92,359	2.6%	13,331	14.4%
Total of value-added service fees	**401,301**	**10.4%**	408,419	11.3%	(7,118)	(1.7%)

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue from value-added services was mainly attributable to:

(a) Revenue from sales and rental assistance for the year ended 31 December 2019 maintained the same level as last year;

(b) A decrease in revenue from online promotion services of 12.5% from approximately RMB169.4 million of last year to approximately RMB148.3 million for the year ended 31 December 2019, which was due to the reason that the Group lowered the fee charged to online service providers moderately to help Caizhiyun platform with future expansion;

(c) Revenue from other value-added services increased by 14.4% from approximately RMB92.4 million of last year to approximately RMB105.7 million for the year ended 31 December 2019, which was mainly attributable to the reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to this category as a result of the initial adoption of HKFRS 16 since 1 January 2019.

Engineering Services

For the year ended 31 December 2019, revenue from engineering services decreased by approximately RMB39.0 million or 27.6% to approximately RMB102.2 million from that of last year. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December					
	2019		2018		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	**71,333**	**1.9%**	61,371	1.7%	9,962	16.2%
Repair and maintenance service fees	**14,041**	**0.4%**	14,874	0.4%	(833)	(5.6%)
Equipment leasing income	**–**	**–**	48,268	1.3%	(48,268)	(100.0%)
Energy-saving service fees	**16,827**	**0.4%**	16,667	0.5%	160	1.0%
Total of engineering services fees	**102,201**	**2.7%**	141,180	3.9%	(38,979)	(27.6%)

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

(a) An increase in revenue from equipment installation services of 16.2% from approximately RMB61.4 million of last year to approximately RMB71.3 million for the year ended 31 December 2019, which was attributable to the expansion of the Group's Colour Life Parking Lots business;

(b) Revenue from maintenance and repair services for the year ended 31 December 2019 decreased by 5.6% to approximately RMB14.0 million from approximately RMB14.9 million of last year, which was due to outsourcing of the repair and maintenance services through Caizhiyun Platform, and transformation to online promotion service;

(c) The reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to value-added service income by the Group as a result of the adoption of HKFRS 16 since 1 January 2019;

(d) A slight increase of approximately RMB0.2 million in service fees from energy-saving service for the year ended 31 December 2019 as compared with that of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services

Cost of 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, rental cost and others. For the year ended 31 December 2019, cost of services increased by approximately RMB158.4 million or 6.8% from approximately RMB2,331.2 million of last year to approximately RMB2,489.6 million, primarily attributable to the increase in revenue-bearing GFA under lump sum basis.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, the overall gross profit increased by approximately RMB72.9 million or 5.7% to approximately RMB1,355.4 million from approximately RMB1,282.5 million of last year. The increase of gross profit was in line with the growth of revenue in all businesses.

The overall gross profit margin for the year ended 31 December 2019 was approximately 35.3%, which was basically in line with 35.5% as recorded last year.

(i) *Property Management Services*

For the year ended 31 December 2019, the gross profit margin of property management services increased by 1.5 percentage points from approximately 26.1% of last year to approximately 27.6%, which was primarily attributable to an increase of approximately RMB23.5 million in the revenue from property management services and consultancy service fees under commission basis as compared with that of last year, which had a relatively higher gross profit margin.

(ii) *Value-added Services*

For the year ended 31 December 2019, gross profit from value-added services decreased by 4.9% to approximately RMB371.7 million from approximately RMB391.0 million of last year. Gross profit margin decreased by 3.1 percentage points from 95.7% of last year to 92.6% for the year ended 31 December 2019. The decrease was due to the reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to value-added services which had a lower gross profit margin by the Group as a result of the adoption of HKFRS 16 since 1 January 2019.

(iii) *Engineering Services*

For the year ended 31 December 2019, gross profit for engineering services decreased by approximately 34.3% from approximately RMB93.2 million of last year to approximately RMB61.2 million, and the gross profit margin decreased by approximately 6.1 percentage points to approximately 59.9% for the year from approximately 66.0% of last year. The decrease was primarily attributable to lower the services fee from reconstruction of Colour Life Packing Lots for its sales and promotion.

Other Gains and Losses

For the year ended 31 December 2019, the Group's other gains and losses decreased by approximately RMB38.1 million to a loss of approximately RMB19.2 million from a gain of approximately RMB18.9 million of last year. The change was primarily due to (i) gains on disposal of two subsidiaries of approximately RMB59.6 million of last year and no disposal during the year; and (ii) a decrease in exchange loss to approximately RMB11.7 million for the year from approximately RMB35.4 million of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

For the year ended 31 December 2019, other income of the Group decreased by approximately 13.2% to approximately RMB48.7 million from approximately RMB56.1 million of last year, which was mainly attributable to (i) a decrease of approximately RMB11.7 million in interest income; (ii) an increase of approximately RMB18.2 million in exemption of VAT; and (iii) a decrease of approximately RMB8.2 million in unconditional government grant.

Selling and Distribution Expenses

For the year ended 31 December 2019, selling and distribution expenses of the Group amounted to approximately RMB62.9 million, representing an increase of 4.7% from approximately RMB60.1 million of last year. The increase was basically in line with the increase in revenue.

Administrative Expenses

The administrative expenses of the Group increased by 10.0% from approximately RMB375.8 million of last year to approximately RMB413.3 million for the year ended 31 December 2019. The increase was mainly due to the Group's expansion in business scale and the increase in total Managed GFA.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2019, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB81.0 million, representing an increase of approximately 1.3% as compared to approximately RMB80.0 million of last year. The slight increase was in line with the increase in revenue from property management service under commission basis.

Finance Costs

For the year ended 31 December 2019, the Group's finance costs was approximately RMB201.7 million, which decreased by approximately 32.6% as compared to approximately RMB299.1 million of last year, which was mainly due to a decrease in interest expenses as the balance of total debts of the Group decreased by approximately 37.3% from approximately RMB3,659.7 million as at 31 December 2018 to approximately RMB2,294.6 million as at 31 December 2019.

Income Tax Expenses

The Group's income tax expenses increased by 18.9% to approximately RMB180.6 million for the year ended 31 December 2019 from approximately RMB151.9 million for the year ended 31 December 2018.

Intangible Assets

As at 31 December 2019, the carrying value of intangible assets held by the Group decreased by approximately 4.9% to approximately RMB1,091.2 million from approximately RMB1,146.9 million as at 31 December 2018, which was mainly attributable to: (i) the addition of approximately RMB83.9 million in intangible assets acquired through business combination during the year ended 31 December 2019; and (ii) amortisation of intangible assets of approximately RMB139.6 million for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Goodwill

As at 31 December 2019, the carrying amount of the Group's goodwill was approximately RMB2,317.3 million, representing an increase of approximately RMB69.2 million as compared with that as at the end of last year, which was mainly attributable to the goodwill arising from business combination during the year.

Bank Balances and Cash

As at 31 December 2019, the Group's bank balances and cash decreased by 35.5% to approximately RMB1,721.2 million from approximately RMB2,666.9 million as at 31 December 2018. The decrease in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB544.6 million generated from operating activities; (ii) net cash outflows of approximately RMB42.4 million used in investing activities; and (iii) net cash outflows of approximately RMB1,449.8 million used in financing activities, which was mainly due to the repayment of borrowings of approximately RMB1,730.7 million during the year.

Trade and Other Receivables and Prepayments

Trade receivables are mainly arisen from property management services income under lump sum basis, property management services income from pre-sale services, property management service income from consultancy services, engineering services income and value-added services income.

As at 31 December 2019, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB658.2 million, which increased by approximately RMB28.5 million as compared to approximately RMB629.7 million as at 31 December 2018, showing a slight change.

As at 31 December 2019, other receivables and prepayments increased by approximately RMB30.9 million from approximately RMB720.9 million as at 31 December 2018 to approximately RMB751.8 million, which was primarily attributable to: (i) the increase of approximately RMB26.7 million in refundable deposits; and (ii) the increase of approximately RMB14.5 million in receivables for residential and commercial units rental assistance services on behalf of customers.

Payments/Receipts on Behalf of Residents

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

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprised amounts payables for subcontracting services, deposits received, accrued staff costs, other taxes payable, provision for retirement benefits contribution and consideration payable for acquisition of subsidiaries.

Trade payables decreased from approximately RMB504.4 million as at 31 December 2018 to approximately RMB401.2 million as at 31 December 2019. This was primarily due to the accelerated payment to certain suppliers by the Group during the year.

Other payables and accruals decreased from approximately RMB967.7 million as at 31 December 2018 to approximately RMB886.7 million as at 31 December 2019.

Corporate Bonds

As at 31 December 2019, the corporate bonds of approximately RMB149.8 million represented the domestic corporate bonds issued in November 2017.

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

The domestic corporate bonds issued in January 2016 and September 2016 were repaid upon maturity on 28 January 2019 and 9 September 2019, respectively.

Asset-backed Securities Issued

In August 2016, Shenzhen Colour Life issued asset-backed securities with an aggregate principal amount of approximately RMB300,000,000. As at 31 December 2019, the carrying amount was approximately RMB50,146,000.

In January 2018, Shenzhen Colour Life issued asset-backed securities with an aggregate principal amount of RMB100,000,000. As at 31 December 2019, the carrying amount was RMB54,402,000.

Share Capital

As at 31 December 2019, the total number of issued shares of the Company was approximately 1,422,746,000 (31 December 2018: approximately 1,328,638,000) and the share capital was approximately RMB115,134,000 (31 December 2018: approximately RMB106,800,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Position

As at 31 December 2019, the Group's total cash (including pledged bank deposits) decreased by approximately 35.7% from approximately RMB3,012.9 million as at 31 December 2018 to approximately RMB1,935.9 million. Among the total cash, bank deposits of approximately RMB214.6 million (31 December 2018: approximately RMB346.0 million) were pledged to banks to secure the banking facilities.

The financial position of the Group remained stable. As at 31 December 2019 and 2018, the current ratio (current assets/current liabilities) of the Group was approximately 1.3.

Borrowings and Charges on the Group's Assets

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB2,040.3 million (31 December 2018: approximately RMB3,083.8 million), of which the borrowings of approximately RMB994.3 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, and the remaining borrowing of approximately RMB1,046.0 million were unsecured.

Net Gearing Ratio

The net gearing ratio was 8.9% as at 31 December 2019 (31 December 2018: 19.9%), which was the result of the repayment of borrowings, corporate bonds and asset-backed securities during the year. The net gearing ratio was calculated by net debt (being the total of borrowings, corporate bonds issued, asset-backed securities issued, after deduction of bank balances and cash and pledged bank deposits) over the total equity.

Currency Risk

The Group was exposed to currency risk as a result of the financing of USD94.0 million in Hong Kong in March 2018 and the financing of HK$150.0 million in Hong Kong in June 2019. During the year, the Group recorded a net exchange loss of approximately RMB11.7 million.

The Group had not entered into any derivative contracts to minimise the currency risk exposure as at 31 December 2019 and the Group's operating cash flows are not subject to currency risk. The Group will consider hedging significant currency risk should the need arises.

Employees and Remuneration Policies

As at 31 December 2019, excluding the employees for communities under commission basis, the Group had approximately 15,289 employees (31 December 2018: approximately 14,161 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. PAN Jun（潘軍）("Mr. Pan"), aged 49, was appointed as a director of the Company on 16 March 2011 and was redesignated as a non-executive director on 11 June 2014 and was redesignated as an executive director on 19 September 2019, he is also the chairman (the "Chairman") of the board of directors (the "Board") of the Company (the "Company"). He joined the Fantasia Group (China) Co., Ltd. ("Fantasia China Group", a wholly-owned subsidiary of Fantasia in the PRC) in 1999 and is responsible for the overall operation of the Fantasia China Group. He is also currently the president of Fantasia China Group, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Fantasia China Group's subsidiaries. Mr. Pan has over 19 years of experience in the real estate development industry in China and prior to joining the Fantasia Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd.（世聯地產顧問（深圳）有限公司）, a company primarily engaged in property agency operation, from March 1994 to September 1999, where he was primarily responsible for marketing and valuation. Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology（成都科技大學）(currently known as Sichuan University（四川大學）) in July 1992 and holds an Executive Master of Business Administration degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers（深圳市不動產估價學會）.

Mr. CHEN Xinyu（陳新禹）("Mr. Chen"), aged 51, was appointed as a non-executive director on 23 August 2019 and was redesignated as an executive director on 19 September 2019. He was also appointed as a member of remuneration committee of the Company on 3 December 2019 and was appointed as the authorised representative of the Company on 11 February 2020. He is responsible for assisting the chairman of the Board in management of investment and financing, financial and capital related works, and reporting to the chairman of the Board. Mr. Chen is also the executive director of Fantasia Holdings Group Co., Limited ("Fantasia"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code:1777). Fantasia is a controlling shareholder of the Company. Mr. Chen is also currently the chief financial officer of the Fantasia, responsible for capital operation and planning management, listed company's investor relations and information disclosure management-related business. Mr. Chen is also the executive director, and is concurrently the general manager of the finance and capital center and the investment management department of Fantasia China Group.

Prior to joining the Company and its subsidiaries (the "Group"), Mr. Chen was the deputy general manager of the Finance Department of Country Garden Holdings Company Limited from 2015 to 2019. Before this, Mr. Chen was the investment director of China Overseas Qingyi Care Services Co., Ltd.（中海親頤養老服務有限公司）; and later served as an analyst of Seagate Global Advisors LLC., Redondon Beach and as the manager of bond trading portfolio of Godesk LLC., Elsegando in USA. Mr. Chen once served as the director of the Finance Department of China State Construction Engineering Corporation Limited. Mr. Chen graduated from Shijiazhuang Tiedao Institute in financial accounting and holds a master's degree in corporate finance from Xi'an Jiaotong University and a master's degree in business administration from the University of Illinois in Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing related activities.

Mr. Chen has entered into a service contract with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. Mr. Chen will receive a Director's fee of RMB240,000 per annum, which is determined by the Board with reference to his duties and responsibilities and the prevailing market rate.

DIRECTORS' PROFILE

Mr. Huang Wei（黃瑋）("Mr. Huang"), aged 49, was appointed as an executive director of the Company on 20 July 2018, was appointed as the vice president of the Company on 19 September 2019 and was redesignated as the chief executive officer of the Company (the "Chief Executive Officer") on 3 December 2019. He joined the Group in February 2015 and was responsible for the management and operation of Shenzhen Kaiyuan International Property Management Co., Ltd.（深圳市開元國際物業管理公司）(which is principally engaged in property management) under the Group as the general manager. Mr. Huang has over 20 years of experience in property management. Prior to joining the Group, he served as an engineer and manager of China Overseas Building Development (Shenzhen) Co., Ltd. from July 1992 to November 1997. From September 1998 to January 2002, he served as a director and chief engineer of China Overseas Property Management Limited (which is principally engaged in property development) and was mainly responsible for the management and operation of property development projects. From January 2002 to February 2015, he served as a director, deputy general manager and general manager of Shenzhen Kaiyuan International Property Management Co., Ltd., and was mainly responsible for the management and operation of the company. Mr. Huang studied at the College of Civil Engineering of Tongji University in China from July 1988 to July 1992. He obtained an engineer certificate in August 1998.

NON-EXECUTIVE DIRECTORS

Mr. TANG Xuebin（唐學斌）, aged 51, was appointed as a director of the Company on 30 October 2012 and was redesignated as an executive director of the Company on 11 June 2014. He was resigned as the executive director and Chief Executive Officer on 19 September 2019 and was redesignated as a non-executive director of the Company on 3 December 2019. He joined the Group in 2002 and is responsible for the operation and management of the Group. He also serves as a general manager of a number of subsidiaries of the Group. Mr. Tang has over 15 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd.（中海物業管理有限公司）, a company primarily engaged in property management, from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation（工業電氣自動化）from Tongji University（同濟大學）in July 1993, an Executive Master of Business Administration degree ("EMBA degree") from China Europe International Business School（中歐國際工商學院）in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business（長江商學院）in June 2012, and graduated from the entrepreneurship and operation programme of China Europe International Business School in July 2017.

Mr. ZHOU Hongyi（周鴻禕）, aged 49, was appointed as a non-executive director of the Company on 15 May 2015. He is the chairman of Qihoo 360 Technology Co. Ltd. ("Qihoo 360"), a leading company in internet industry in China. He has been a co-founder and the chief executive officer of Qihoo 360 since August 2006. Mr. Zhou has over 10 years of managerial and operational experience in China's Internet industry. Prior to founding Qihoo 360, Mr. Zhou was a partner at IDG Ventures Capital since September 2005, a global network of venture capital funds, where he assisted small- to medium- sized software companies in sourcing funding to support their growth. Mr. Zhou was the chief executive officer of Yahoo! China from January 2004 to August 2005. In 1998, Mr. Zhou founded www.3721.com, a company engaged in Internet search and online marketing business in China, and served as its chairman and chief executive officer until www.3721.com was acquired by Yahoo! China in January 2004. He also serves as a director of a number of privately owned companies based in China. Mr. Zhou received his Bachelor's degree in computer software in 1992 and his Master's degree in system engineering in 1995 from Xi'an Jiaotong University, China.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chun Hung, Anthony (譚振雄) ("Mr. Tam"), aged 69, was appointed as an independent non-executive director of the Company on 11 June 2014. He has extensive experience in finance and advisory services in Hong Kong and the PRC. Since 2013, Mr. Tam has been a tax partner of Mazars, a firm primarily engaged in accounting and management consulting. Prior to that, he was a partner of Deloitte Touche Tohmatsu, a firm primarily engaged in accounting and management consultancy, from 1989 to 2013. He is the Deputy Chairman of the Tax Faculty of the Hong Kong Institute of Certified Public Accountants and one of the two program directors of the Advanced Taxation Program of the HKICPA. Mr. Tam is the assistant director and district treasury of Rotary International District 3450. Mr. Tam obtained a Bachelor's degree in engineering and management from McMaster University in May 1976 and a Master's degree in business administration from the University of Toronto in November 1983. Mr. Tam is a fellow member of the HKICPA, a member of the Institute of Chartered Accountants of Ontario and a certified tax advisor of the Taxation Institute of Hong Kong.

Dr. LIAO Jianwen (廖建文) ("Dr. Liao"), aged 52, was appointed as an independent non-executive director of the Company on 11 June 2014. Dr. Liao has extensive business research and teaching experience in the United States, Hong Kong and the People's Republic of China (the "PRC"). He is well-known for his interdisciplinary research, teaching and consulting in strategy, innovation and entrepreneurship, with a work experience across North America and Asia, and early entrepreneurial experience in the biotechnology industry. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at IIT Stuart School of Business from 2006 to 2012. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctoral degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Dr. Liao had served as an independent non-executive director of Qihoo 360, which shares are traded on the New York Stock Exchange, and an independent non-executive director of China Mengniu Dairy Co., Ltd., which shares are traded on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Fantasia Holdings Group Co., Ltd. and 361 Degrees International Limited, both companies are listed on the Main Board of the Stock Exchange; an independent director of China Merchants Shekon Industrial Zone Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange; and chief strategy officer of JD Group, a company listed on NASDAQ Stock Exchange.

Mr. XU Xinmin (許新民) ("Mr. Xu"), aged 68, was appointed as an independent non-executive director of the Company on 29 September 2014. Mr. Xu has the title of real estate economist with over 20 years of experience in the real estate industry. Mr. Xu has participated in the setting up of the China Property Management Institute (中國物業管理協會) and all of its subsequent national member congresses since 2000. Since March 2001, he has served as the general officer of the integration division of the China Property Management Institute. Since June 2003, Mr. Xu has been the deputy secretary general of the China Property Management Institute and is primarily responsible for the organisation and implementation of the national property management model evaluation and acceptance. From 2004 to 2009, Mr. Xu was a senior adviser of the Property Management Branch of the Higher Education Academy of China (中國高等教育學會). From June 1991 to February 2001, Mr. Xu was the director of each of the Housing Management Bureau (房管處) and the Property Management Bureau (物業管理處) of Changzhou, Jiangsu Province where he was primarily responsible for the setting up of the Changzhou Property Management Institute (常州市物業管理協會). Mr. Xu obtained a Bachelor degree in Business Administration from China Forestry University (中國林業大學) in 2005.

SENIOR MANAGEMENT'S PROFILE

Mr. CHANG Rong (昌榮) ("Mr. Chang"), aged 45, is a vice president of the Group. He joined the Group in 2002 and is responsible for the operation and management of the fundamental service division of the Group. He has been a vice president of Shenzhen Colour Life since January 2015. He has about 18 years of experience in property management. Prior to joining the Group, he worked as the project director and assistant manager in China Overseas Property Management Co., Ltd.（中海物業管理有限公司）, a company primarily engaged in property development, from July 1998 to December 2002, where he was primarily responsible for management of property development projects. Mr. Chang graduated from Tongji University（同濟大學）with a Bachelor's degree in industrial electrical automation（工業電氣自動化）in July 1998, obtained an executive education program certificate from Cheung Kong Graduate School of Business（長江商學院）in July 2013 and obtained the EMBA degree from Tsinghua University（清華大學）, Beijing in September 2018.

Ms. YANG Lan (楊瀾) ("Ms. Yang"), aged 44, is the Chief Financial Officer of the Group. She joined the Group in 2018 and is responsible for financial management within and outside the Group. She has approximately 20 years of experience in financial management. Prior to joining the Group, she worked at TCL Multimedia Technology Holdings Limited from July 1998 to February 2018, where her last position held was the financial controller, mainly responsible for financial management. Ms. Yang graduated from Xi'an Jiaotong University in July 1998 with a Bachelor's Degree in Economics. She graduated from Peking University in December 2010 with a Master's Degree in Economics. She graduated from Peking University HSBC Business School with a Master's Degree in Business Administration in September 2015.

REPORT OF DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 49 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74.

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 8 to 11, 12 to 23 and 24 to 31 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 8 to 11 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

ESG REPORT

As a corporate citizen, the Group has always been committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Company and the Stock Exchange as close as possible to, and in any event no later than three months after, the publication of this annual report.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB9.12 cents per share, equivalent to HK10.04 cents, amounting to approximately RMB129,754,000 payable on Friday, 17 July 2020 to all persons registered as holders of shares of the Company on Tuesday, 9 June 2020 (the "Eligible Shareholders"), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account. The Eligible Shareholders will be given an option to elect to receive the final dividend all in new shares or partly in new shares and partly in cash or all in cash (the "Scrip Dividend Scheme").

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.1006 as announced by the People's Bank of China on 30 March 2020.

The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders in due course.

REPORT OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 4 June 2020 to Tuesday, 9 June 2020, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2020.

SHARE CAPITAL

As at 31 December 2019, the total number of issued shares of the Company was 1,422,746,000 (31 December 2018: 1,328,638,000) and the share capital was RMB115,134,000 (31 December 2018: RMB106,800,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2019, calculated under the Cayman Islands Companies Law, amounted to RMB1,867.5 million (2018: RMB1,594.2 million) representing share premium of RMB1,805.8 million, and share option reserve of RMB233.7 million, after net of Shares held for Share Award Scheme of RMB6.8 million, and accumulated losses of RMB165.2 million.

DIRECTORS

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

Executive Directors:
Mr. Pan Jun (Chairman) (Note 1)
Mr. Chen Xinyu (Note 2)
Mr. Huang Wei (Chief Executive Officer) (Note 3)
Mr. Dong Dong (resigned on 23 August 2019)

REPORT OF DIRECTORS

Non-executive Directors:
Mr. Tang Xuebin (Note 4)
Mr. Zhou Hongyi

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

Note 1: Mr. Pan Jun was redesignated from non-executive director as executive director on 19 September 2019.

Note 2: Mr. Chen Xinyu was appointed as non-executive director on 23 August 2019 and redesignated as executive director on 19 September 2019 and was also appointed as a member of remuneration committee on 3 December 2019 and as the authorized representative of the Company on 11 February 2020.

Note 3: Mr. Huang Wei was appointed as vice president on 19 September 2019 and was redesignated as Chief Executive Officer and was appointed as a member of nomination committee on 3 December 2019.

Note 4: Mr. Tang Xuebin resigned as executive director and Chief Executive Officer and redesignated as non-executive director and resigned as a member of remuneration committee and nomination committee respectively on 3 December 2019.

In accordance with Article 84 of the Articles of Association, Mr. Pan Jun, Mr. Huang Wei and Mr. Tang Xuebin shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Each of the Directors has entered into a service contract (for executive directors) or signed an appointment letter (for non–executive directors and independent non-executive directors) with the Company for a term of three years with effect from either 30 June 2014 (date of listing of the Company's shares on SEHK) or their respective effective date of appointment. Their service contracts were renewed for a term of another three years on 11 June 2017 and 15 May 2018, which may be terminated by no less than three months' notice in writing served by either the Director or the Company.

DIRECTORS' SERVICE CONTRACTS

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

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2019 is set out below:

	Number of individuals
Nil to HK$1,000,000	2

Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION

As at 31 December 2019, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK ("the Listing Rules") were as follows:

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

Name of director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Pan Jun	Beneficial owner(1)	1,755,440	0.12%
Mr. Huang Wei	Beneficial owner(1)	500,000	0.04%
Mr. Tang Xuebin	Beneficial owner(1)	1,598,940	0.11%
	Family interest(2)	450,000	0.03%
		2,048,940	0.14%
Mr. Zhou Hongyi	Beneficial owner(1)	560,000	0.04%
	Interest in controlled corporation	43,458,000	3.05%
Mr. Tam Chun Hung, Anthony	Beneficial owner(1)	710,000	0.05%
Dr. Lian Jianwen	Beneficial owner(1)	710,000	0.05%
Mr. Xu Xinmin	Beneficial owner(1)	710,000	0.05%

Notes:

(1) These are share options granted to the Directors of the Company under the share option scheme of the Company.

(2) The 450,000 Shares are beneficially owned by Ms. Dai Minglei, the spouse of Mr. Tang Xuebin.

(3) As at 31 December 2019, the issued shares of the Company is 1,422,745,122.

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

Name of director	Name of associated corporation	Capacity/ Nature of interest	Equity interest/ number of underlying shares	Approximate percentage of equity interest/ shareholding interest
Mr. Pan Jun	Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network")[1]	Beneficial owner	RMB7,000,000	70%
	Fantasy Pearl International Limited ("Fantasy Pearl")[2]	Interest of controlled corporation	20	20%
	Fantasia Holdings[3]	Beneficial owner	9,980,000	0.17%
Mr. Tang Xuebin	Shenzhen Caizhiyun Network[1]	Beneficial owner	RMB3,000,000	30%
	Fantasia Holdings[3]	Beneficial owner	1,640,000	0.03%
	Splendid Fortune Enterprises Limited ("Splendid Fortune")[4]	Interest of controlled corporation	16,319 shares	32.64%

Notes:

(1) Shenzhen Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of the Company by virtue of various structured contracts, details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.

(2) Fantasy Pearl is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"), which is wholly owned by Mr. Pan Jun.

(3) These represent share options granted by Fantasia Holdings subject to vesting schedules.

(4) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success Limited ("Colour Success"). Colour Success is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively. Accordingly, Mr. Tang Xuebin is deemed to be interested in the shares of Splendid Fortune held by Colour Success for the purpose of the SFO.

Save as disclosed above, as at 31 December 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 SEHK pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the SEHK.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by the Company, during the year ended 31 December 2019 or subsisted at 31 December 2019.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 84,473,072, representing 5.9% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non– executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

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

The summary below sets out the details of movement of the share options for the year ended 31 December 2019 pursuant to the Share Option Scheme:

				Number of share options						
Name	**Date of grant**	**Exercise price** HK$	**Closing price of the shares on the date of grant** HK$	**Balance as at 1 January 2019**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Balance as at 31 December 2019**	**Weighted average closing price immediately before exercise** HK$	**Notes**
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	103,500	–	–	–	103,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Dong Dong	29 September 2014	6.66	6.66	455,150	–	–	–	455,150	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	123,500	–	–	–	123,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Huang Wei	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Pan Jun	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	500,000	–	–	–	500,000	–	(6)
Mr. Lam Kam Tong	29 September 2014	6.66	6.66	–	–	–	–	–	–	(1)
	30 April 2015	11.00	10.88	–	–	–	–	–	–	(3)
	18 March 2016	5.764	5.76	–	–	–	–	–	–	(4)
Mr. Zhou Hongyi	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	200,000	–	–	–	200,000	–	(6)
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	–	(6)
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	–	(6)
Mr. Xu Xinmin	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	–	(6)
Employees of the Group	29 September 2014	6.66	6.66	10,513,148	–	–	(167,800)	10,345,348	–	(1)
				14,973,353	–	–	(135,753)	14,837,600	–	(2)&(5)
	30 April 2015	11.00	10.88	17,267,005	–	(3,000)	(616,319)	16,647,686	5.76	(3)
	18 March 2016	5.764	5.76	18,240,972	–	–	(333,934)	17,907,038	–	(4)
	27 November 2018	4.11	4.11	16,664,720	–	–	–	16,664,720	–	(6)
				85,729,878	–	(3,000)	(1,253,806)	84,473,072		

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive Director on 21 April 2015, has been extended at the discretion of the Board.

(6) 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.

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

Issuance of Shares

On 29 July 2019, the Company issued 71,149,000 new ordinary shares at the subscription price of HK$5.22 per share to JD.com at a total consideration of HK$371,397,780. The subscription price represented a discount of approximately 4.22% to the closing price of HK$5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcement of the Company dated 19 July 2019.

On 28 August 2019, the Company issued 22,956,000 new ordinary shares at the subscription price of HK$5.22 per share to 360.com at a total consideration of HK$119,830,320. The subscription price represented a discount of approximately 4.22% to the closing price of HK$5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcements of the Company dated 19 July 2019 and 23 August 2019 and the circular of the Company dated 8 August 2019.

Purchase of shares under the Share Award Scheme

During the year ended 31 December 2019, a total of 2,038,000 shares (2018: 1,597,000 shares) were acquired by the Trustee for the Share Award Scheme of the Company adopted on 4 July 2016 for a total consideration of approximately RMB7,647,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

REPORT OF DIRECTORS

MATERIAL ACQUISITIONS AND DISPOSALS

The Company confirms that it has complied with all the disclosure requirements under Chapter 14 and Chapter 14A of the Listing Rules. For the year ended 31 December 2019, the Group did not have any other material acquisition or disposal of subsidiaries, associates or assets.

SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions and Disposals", the Company had no other significant investments held during the year under review.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 of the consolidated financial statements.

RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than those transactions disclosed in the paragraph "Connected Transactions" and "Continuing Connected Transactions", no transaction, arrangement or contract of significance, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

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

CONTRACTS OF SIGNIFICANCE

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

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as the Directors are aware, the following substantial shareholders (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of holding
Ms. Zeng Jie, Baby	Interest of controlled corporation(1)(2)(3)	954,659,259	67.10%
Ice Apex	Interest of controlled corporation(1)(2)(3)	954,659,259	67.10%
Fantasy Pearl	Beneficial owner Interest of controlled corporation	2,171,000 952,488,259	0.15% 66.95%
Fantasia Holdings	Beneficial owner(2)	735,456,782	51.69%
Splendid Fortune	Beneficial owner(3)	218,001,477	15.32%
JD.com Investment Limited	Interest of controlled corporation(4)	71,149,000	5.00%
JD.com, Inc.	Interest of controlled corporation(4)	71,149,000	5.00%
Max Smart Limited	Interest of controlled corporation(4)	71,149,000	5.00%
Volga Innovation Limited	Beneficial owner(4)	71,149,000	5.00%
Mr. Liu Qiangdong, Richard	Beneficiary of a trust(4)	71,149,000	5.00%

Notes:

(1) The interests are held as to 735,456,782 Shares by Fantasia Holdings, as to 218,001,477 Shares by Splendid Fortune and as to 2,171,000 Shares by Fantasy Pearl.

(2) Fantasia Holdings is owned as to 57.46% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings for the purpose of Part XV of the SFO.

(3) Splendid Fortune is 67.36% owned by Fantasy Pearl and 32.64% owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.

(4) Such interests are held by Volga Innovation Limited, which is 80% owned by JD.com Investment Limited. JD.com Investment Limited is a wholly-owned subsidiary of JD.com, Inc., which is in turn owned as to 72.90% by Max Smart Limited. Max Smart Limited is wholly-owned by the trust in which Mr. Liu Qiangdong, Richard is a beneficiary.

Save as disclosed above, as at 31 December 2019, no other persons, other than Directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2019, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

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

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2019. Details of the transactions are set out in note 50 to the consolidated financial statements and below:

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

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

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

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

REPORT OF DIRECTORS

For the year ended 31 December 2019, the provision of the Engineering Services amounted to RMB15.0 million (31 December 2018: RMB11.5 million), which was within the annual cap of RMB41.0 million (31 December 2018: RMB40.5 million) for the same period.

The 2017 Engineering Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2020 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB60.0 million, RMB70.0 million and RMB75.0 million for each of the years 2020, 2021 and 2022 respectively.

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

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

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

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

For the year ended 31 December 2019, the amounts paid/payable to the Group for the provision of Pre-delivery Property Management Services amounted to RMB23.7 million (31 December 2018: RMB6.2 million), which was within the annual cap of RMB28.0 million (31 December 2018: RMB25.0 million) for the same period.

The 2017 Pre-delivery Property Management Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2020 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB80.0 million, RMB90.0 million and RMB100.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

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

On 27 June 2018, Shenzhen Colour Life Network Service entered into the cooperation agreement with Shenzhen Colour Pay in respect of the e-Platform Services, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun（彩之雲）and Colourlife.com allow the Users to register with the qianshenhua.com（錢生花）e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The cooperation agreement has a term of two financial years ending on 31 December 2019, and subject to the annual caps of not exceeding RMB75.0 million and RMB80.0 million for each of the years ending 2018 and 2019 respectively.

For the year ended 31 December 2019, the amounts paid/payable to the Group for the e-Platform Services amounted to RMB72.3 million, which was within the annual cap of RMB80.0 million for the same period.

The e-Platform Service cooperation agreement entered into between Shenzhen Colour Life Network Service and Shenzhen Colour Pay on 27 June 2018 expired on 31 December 2019. On 31 December 2019, Shenzhen Colour Pay Network Technology Co., Ltd. entered into the 2020 E-Platform Service Cooperation Agreement with Shenzhen Colour Life Network Service, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun（彩之雲）and Colourlife.com allow the registered users of the Group's e-platform to register with the qianshenhua.com（錢生花）e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The 2020 E-Platform Service Cooperation Agreement has a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and subject to the annual caps of not exceeding RMB90.0 million, RMB100.0 million and RMB110.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

4. Structured Contracts

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

REPORT OF DIRECTORS

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

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

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

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

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

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

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB97.6 million for the year ended 31 December 2019 and approximately RMB3.2 million as of 31 December 2019, respectively.

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

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

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

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

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

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Board on a regular basis which was no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of the Company monitors the proper implementation and Mr. Pan Jun's and Mr. Tang Xuebin's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the President's Office.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group. The Board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

REPORT OF DIRECTORS

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

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

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

(ii) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

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

(iv) have exceeded the annual caps.

OTHERS

The continuing connected transactions disclosed above also constitutes related party transaction under the International Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 50 to the consolidated financial statements. Save for item (c) therein which also constitutes connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules, other related party transactions do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

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

REPORT OF DIRECTORS

DEED OF NON-COMPETITION

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

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

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

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

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

Over five years have passed since the Company and Fantasia Holdings entered into the Existing Non-Competition Deed, during which time the Group has specialised in the property management of residential communities, whereas the Fantasia Group has continued to operate as a property developer involving property management primarily for pure commercial properties.

During such period, the landscape of the PRC property management market has evolved rapidly, thus affecting the applicability and practicability of the Existing Non-Competition Deed which is archaic in nature. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial uses with limited ancillary support to integrated mixed-use properties. Such integrated mixed-use properties, being largescale complexes or areas which normally encompass several different types of properties such as residential properties, office buildings, shopping malls, leisure facilities, SOHO and serviced apartments, may also include government and public facilities such as schools, hospitals, banks and public transportation terminals. Such integrated mixed-use properties are vastly different in nature and purpose than the residential communities which were described as "mixed-use properties" as original envisaged when the Existing Non-Competition Deed was entered into. The Directors consider that the Existing Non-Competition Deed is no longer able to cover the ever-evolving trend of the property development industry in the PRC and the resulting property management services rendered.

To cope with the ever-intensive competition in the property management industry and to seize the ever-changing opportunities, the Company and Fantasia Holdings consider it desirable to amend the Existing Non-Competition Deed to cater for existing business and industry trends.

On 1 April 2020, Fantasia Holdings and the Company agreed to amend the Existing Non-Competition Deed and entered into an amended deed (the "Amended Non-Competition Deed"). Pursuant to the Amended Non-Competition Deed, the scope of the Existing Non-Competition Deed has been amended to include the following additional business which the Fantasia Group has undertaken not to be involved in:

- property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed.

Furthermore, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added.

The Amended Non-Competition Deed is subject to:

(i) the board of directors of Fantasia Holdings having approved the Amended Non-Competition Deed; and

(ii) the independent shareholders of the Company having approved the Amended Non-Competition Deed and the transactions contemplated thereunder at an extraordinary general meeting ("EGM") to be convened for such purpose.

An EGM will be held on 24 April 2020 to approve the Amended Non-Competition Deed. Shareholders should refer to the announcement of the Company dated 1 April 2020 and the circular of the Company dated 3 April 2020 (the "Circular") for details of the Amended Non-Competition Deed.

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the corporate governance measures which have been in place since its listing. In addition, additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. Further details about the corporate governance measures are disclosed in the Circular.

COMPLIANCE WITH LAWS AND REGULATIONS

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

REPORT OF DIRECTORS

EMOLUMENT POLICY

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

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

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2019.

Total emolument of RMB1,386.0 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB7.9 million for the Directors' remuneration and RMB1,378.1 million for other staff's salaries and allowance.

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2019, the Board is of the view that the Company has complied with all code provisions set out in the CG Code, details of which are set out in the "Corporate Governance Report" on pages 57 to 66 of this annual report.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

REPORT OF DIRECTORS

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2019 and up to the latest practicable date prior to the issue of this annual report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

By 31 December 2019, the total listing proceeds has been utilised as intended for the purposes as follows: 1) approximately RMB429.7 million for acquisitions of regional property management companies; 2) approximately RMB137.1 million for the Group's purchasing hardware equipment used for upgrading the communities under our engineering services business segment; 3) approximately RMB71.6 million for the Group's sales and marketing activities and investment of information technology software to further develop our community leasing, sales and other services platform and 4) approximately RMB71.6 million for working capital and general corporate purposes.

PERMITTED INDEMNITY PROVISION

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

AUDITORS

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

On behalf of the Board
Huang Wei
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2019 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2019.

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

BOARD OF DIRECTORS

The Board of the Company during the year and up to the date of this report was/is:

Executive Directors:
Mr. Pan Jun (Chairman) (Note 1)
Mr. Chen Xinyu (Note 2)
Mr. Huang Wei (Chief Executive Officer) (Note 3)
Mr. Dong Dong (resigned on 23 August 2019)

Non-executive Directors:
Mr. Tang Xuebin (Note 4)
Mr. Zhou Hongyi

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

CORPORATE GOVERNANCE REPORT

Note 1: Mr. Pan Jun was redesignated from non-executive director as executive director on 19 September 2019

Note 2: Mr. Chen Xinyu was appointed as non-executive director on 23 August 2019 and was redesignated as executive director on 19 September 2019 and was appointed as a member of remuneration committee on 3 December 2019 and appointed as the authorized representative of the Company on 11 February 2020

Note 3: Mr. Huang Wei was appointed as vice president on 19 September 2019 and was redesignated as Chief Executive Officer and was appointed as a member of nomination committee on 3 December 2019

Note 4: Mr. Tang Xuebin was redesignated from executive director as non-executive director and resigned as a member of remuneration committee and nomination committee respectively on 3 December 2019

The biographical information of the directors are set out in the section headed “Directors’ Profile” on pages 32 to 34 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

Mr. Huagn Wei was appointed as Chief Executive Officer on 3 December 2019. Mr. Tang Xuebin redesignated as non-executive Director and resigned as Chief Executive Officer on 3 December 2019. The positions of Chairman and Chief Executive Officer are held by Mr. Pan Jun and Mr. Huang Wei respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board. The independent non-executive Directors possess the respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

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

Directors’ Re-election

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

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

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

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

The Company had from time to time provided relevant reading materials including the amendments to or updates on the relevant laws, rules and regulations to all directors for their reference and studying.

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

The Audit Committee held 2 meetings during the year ended 31 December 2019. During the meetings, the Audit Committee has been provided with the Group's financial statements including audited annual results for the year ended 31 December 2018 and unaudited interim results for the six months ended 30 June 2019, internal controls reports and other necessary financial information to consider, review and assess significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company and reviewed the following including:

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

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

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

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

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

Remuneration Committee

The Remuneration Committee currently consists of the three Independent Non-executive Directors, namely, Dr. Liao Jianwen (chairman), Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin as well as an executive Director, Mr. Chen Xinyu, who was appointed as a member of Remuneration Committee on 3 December 2019 and Mr. Tang Xuebin resigned as a member of Remuneration Committee on 3 December 2019.

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

The Remuneration Committee held a meeting during the year ended 31 December 2019. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. The emolument policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument Policy" in the Report of the Directors and note 12 to the consolidated financial statements.

CORPORATE
GOVERNANCE REPORT

Nomination Committee

The Nomination Committee currently consists of five members, namely, one executive Director, Mr. Pan Jun (chairman), three Independent Non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin and one Executive Director, Mr. Huang Wei, who was appointed as a member of Nomination Committee on 3 December 2019 and Mr. Tang Xuebin resigned as a member of Nomination Committee on 3 December 2019.

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

(c) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of independent non-executive Directors to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

    (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

(ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

(iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

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

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

The Nomination Committee held a meeting during the year ended 31 December 2019. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2019 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the Board Diversity Policy and the measurable objectives, and also reviewed the structure, size and composition of the Board.

CORPORATE
GOVERNANCE REPORT

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND ANNUAL GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board and Board Committees and the annual general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office		
Name of Directors	**Board**	**Audit Committee**	**2019 AGM**
Executive Directors			
Mr. Pan Jun	8/8	N/A	1/1
Mr. Chen Xinyu	5/5	N/A	1/1
Mr. Huang Wei	8/8	N/A	0/0
Non-executive Directors			
Mr. Tang Xuebin	8/8	N/A	1/1
Mr. Zhou Hongyi	8/8	N/A	1/1
Independent Non-executive Directors			
Mr. Tam Chun Hung, Anthony	8/8	3/3	1/1
Dr. Liao Jianwen	8/8	3/3	1/1
Mr. Xu Xinmin	8/8	3/3	1/1

The Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 67 to 73 of this annual report.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Service	4,300
Non-audit Services	
– Interim review of financial results for the six months ended 30 June 2019	1,550
– Review on continuing connected transactions	38
	5,888

INTERNAL CONTROLS

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

In respect of the year ended 31 December 2019, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

For the year ended 31 December 2019, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the financial year ended 31 December 2019, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

Constitutional Documents

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

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF COLOUR LIFE SERVICES GROUP CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 204, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill have been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill have been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer ("Valuer") to assist the estimation. The valuation team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. As disclosed in note 21 to the consolidated financial statements, the carrying amounts of goodwill were RMB2,317,252,000 after net off the accumulated impairment losses of goodwill of RMB870,000 as at 31 December 2019 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2019.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates; • Evaluated the competency, capabilities and objectivity of the Valuer; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the Group's historical financial performance and comparable listed companies; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies based on industry knowledge and independent research with the assistance of our internal specialists; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 24 to the consolidated financial statements, the carrying amount of trade receivables is RMB658,244,000 as at 31 December 2019, after net off the allowance for credit losses of RMB56,570,000, and the allowance for credit losses of RMB13,997,000 was recognised in profit or loss for the year end 31 December 2019.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model; • Testing the integrity of information used by the management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified the recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL of payments on behalf of residents which may affect the carrying value at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information. As disclosed in note 28 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB1,055,129,000 as at 31 December 2019, after net off the allowance for credit losses of RMB146,664,000, and the allowance for credit losses of RMB47,373,000 was recognised in profit or loss for the year end 31 December 2019.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding on how the management assess the ECL of payments on behalf of residents by applying the ECL model; • Testing the integrity of information used by management to develop the provision matrix, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities and expected future cash flows of the management offices of residential communities; • Checking to the notices of termination of the management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue			
Contracts with customers	5	**3,845,003**	3,565,390
Leases		**–**	48,268
Total revenue	6	**3,845,003**	3,613,658
Cost of services		**(2,489,567)**	(2,331,178)
Gross profit		**1,355,436**	1,282,480
Other income	7	**48,690**	56,149
Other gains and losses	7	**(19,189)**	18,929
Impairment losses under expected credit loss model, net of reversal	8	**(86,679)**	(52,424)
Selling and distribution expenses		**(62,884)**	(60,068)
Administrative expenses		**(413,293)**	(375,790)
Expenses recharged to residential communities under commission basis		**81,033**	80,002
Finance costs	9	**(201,711)**	(299,072)
Change in fair value of investment properties		**1,006**	9,059
Share of results of associates		**3,938**	158
Share of results of joint ventures		**9,900**	10,512
Profit before tax		**716,247**	669,935
Income tax expense	10	**(180,556)**	(151,908)
Profit for the year	11	**535,691**	518,027
Other comprehensive (expense) income			
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")		**(1,772)**	288
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**443**	(72)
Other comprehensive (expense) income for the year, net of income tax		**(1,329)**	216
Total comprehensive income for the year		**534,362**	518,243

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Owners of the Company		**498,570**	485,021
Non-controlling interests		**37,121**	33,006
		535,691	518,027
Total comprehensive income for the year attributable to:			
Owners of the Company		**497,241**	485,237
Non-controlling interests		**37,121**	33,006
		534,362	518,243
Earnings per share – basic (RMB cents)	14	**36.48**	37.90
Earnings per share – diluted (RMB cents)	14	**36.48**	37.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current Assets			
Property, plant and equipment	15	**202,735**	236,808
Right-of-use assets	16	**85,161**	–
Investment properties	17	**155,040**	123,544
Interests in associates	18	**55,557**	41,887
Interests in joint ventures	19	**100,224**	100,754
Equity instruments designated at FVTOCI	20	**121,735**	120,455
Goodwill	21	**2,317,252**	2,248,054
Intangible assets	22	**1,091,235**	1,146,946
Contract assets	23	**22,229**	21,804
Other receivables	24	**5,900**	6,286
Loan receivables	25	**7,858**	35,868
Pledged bank deposits	30	**90,500**	–
Deferred tax assets	26	**61,806**	48,985
Amount due from a joint venture	50(b)	**72,899**	81,505
Deposits paid for potential acquisition of subsidiaries	27	**9,868**	69,834
		4,399,999	4,282,730
Current Assets			
Inventories		**3,700**	4,631
Contract assets	23	**45,464**	57,761
Trade receivables	24	**658,244**	629,710
Other receivables and prepayments	24	**745,853**	714,564
Loan receivables	25	**201,616**	211,343
Payments on behalf of residents	28	**908,465**	778,617
Amounts due from fellow subsidiaries	50(b)	**189,025**	172,299
Amounts due from non-controlling shareholders of the subsidiaries	50(b)	**94,956**	119,230
Amounts due from related parties	50(b)	**64,311**	16,072
Amounts due from associates	50(b)	**19,275**	15,905
Amounts due from joint ventures	50(b)	**196,661**	24,447
Financial assets at fair value through profit or loss ("FVTPL")	29	**3,000**	26,062
Pledged bank deposits	30	**124,146**	346,000
Bank balances and cash	30	**1,721,228**	2,666,922
		4,975,944	5,783,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Current Liabilities			
Trade payables	31	**401,176**	504,403
Other payables and accruals	31	**886,679**	967,730
Contract liabilities	32	**350,215**	238,692
Receipts on behalf of residents	28	**403,862**	406,676
Lease liabilities due within one year	34	**2,300**	–
Amounts due to fellow subsidiaries	50(b)	**341,809**	458,306
Amounts due to non-controlling shareholders of the subsidiaries	50(b)	**57,647**	38,561
Amounts due to associates	50(b)	**9,744**	19,971
Amounts due to joint ventures	50(b)	**36,234**	367
Amounts due to related parties	50(b)	**8,113**	11,769
Tax liabilities		**229,949**	194,140
Borrowings due within one year	33	**752,576**	1,362,868
Corporate bonds due within one year	35	**149,786**	181,497
Asset-backed securities issued due within one year	36	**87,483**	208,636
		3,717,573	4,593,616
Net Current Assets		**1,258,371**	1,189,947
Total Assets Less Current Liabilities		**5,658,370**	5,472,677

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current Liabilities			
Deferred tax liabilities	26	**290,136**	308,581
Amount due to a fellow subsidiary	50(b)	**126**	1,282
Lease liabilities due after one year	34	**11,343**	–
Borrowings due after one year	33	**1,287,704**	1,720,888
Corporate bonds due after one year	35	**–**	134,004
Asset-backed securities issued due after one year	36	**17,065**	51,783
Total Non-current Liabilities		**1,606,374**	2,216,538
Net Assets		**4,051,996**	3,256,139
Capital and Reserves			
Share capital	37	**115,134**	106,800
Reserves		**3,755,045**	3,028,668
Equity attributable to owners of the Company		**3,870,179**	3,135,468
Non-controlling interests		**181,817**	120,671
Total Equity		**4,051,996**	3,256,139

The consolidated financial statements on pages 74 to 204 were approved and authorised for issue by the Board of Directors on 30 March 2020 and signed on its behalf by:

PAN JUN
DIRECTOR

HUANG WEI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 38)	Shares held for share award scheme RMB'000 (note 39)	FVTOCI 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	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 year	–	–	–	–	–	–	–	485,021	485,021	33,006	518,027
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	288	–	–	288	–	288
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(72)	–	–	(72)	–	(72)
Other comprehensive income for the year	–	–	–	–	–	216	–	–	216	–	216
Total comprehensive income for the year	–	–	–	–	–	216	–	485,021	485,237	33,006	518,243
Dividends paid to shareholders of the Company (note 13)	–	(166,237)	–	–	–	–	–	–	(166,237)	–	(166,237)
Issue of shares and cash consideration upon combination of entities under common control (note 37)	19,575	887,650	–	–	–	–	(1,921,399)	–	(1,014,174)	–	(1,014,174)
Issue of new shares (note 37)	7,066	345,230	–	–	–	–	–	–	352,296	–	352,296
Issue of shares upon exercise of share options (note 37)	1,214	107,787	–	(33,131)	–	–	–	–	75,870	–	75,870
Shares repurchased for share award scheme (note 39)	–	–	–	–	(5,585)	–	–	–	(5,585)	–	(5,585)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(22,658)	(22,658)
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	207	207
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	4,171	4,171
Recognition of equity-settled share-based payments (notes 38 and 39)	–	–	–	10,788	9,010	–	–	(3,101)	16,697	–	16,697
Transfer	–	–	60,025	–	–	–	–	(60,025)	–	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 38)	Shares held for share award scheme RMB'000 (note 39)	FVTOCI 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 31 December 2018	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 year	–	–	–	–	–	–	–	498,570	498,570	37,121	535,691
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(1,772)	–	–	(1,772)	–	(1,772)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	443	–	–	443	–	443
Other comprehensive expense for the year	–	–	–	–	–	(1,329)	–	–	(1,329)	–	(1,329)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,329)	–	498,570	497,241	37,121	534,362
Dividends paid to shareholders of the Company (note 13)	–	(210,375)	–	–	–	–	–	–	(210,375)	–	(210,375)
Issue of new shares (note 37)	8,334	427,009	–	–	–	–	–	–	435,343	–	435,343
Issue of shares upon exercise of share options (note 37)	–	21	–	(6)	–	–	–	–	15	–	15
Shares repurchased for share award scheme (note 39)	–	–	–	–	(7,647)	–	–	–	(7,647)	–	(7,647)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(30,797)	(30,797)
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	30,825	30,825
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	23,997	23,997
Recognition of equity-settled share-based payments (notes 38 and 39)	–	–	–	13,567	6,437	–	–	130	20,134	–	20,134
Transfer	–	–	95,050	–	–	–	–	(95,050)	–	–	–
At 31 December 2019	115,134	1,805,780	211,455	233,676	(6,795)	17,637	(296,217)	1,789,509	3,870,179	181,817	4,051,996

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 follows:

(i) Other reserve amounting to RMB53,824,000 arose from the acquisitions of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represent the difference between the consideration and the adjustment to the non-controlling interests.

(ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Limited to eligible directors and employees of the Company and credited to other reserve amounting to RMB835,000.

(iii) Other reserve amounting to RMB243,228,000 arose from the combination of entities under common control in 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**716,247**	669,935
Adjustments for:		
Impairment losses under expected credit loss model, net of reversal	**86,679**	52,424
Depreciation of property, plant and equipment	**54,925**	69,632
Depreciation of right-of-use assets	**3,960**	–
Amortisation of intangible assets	**139,583**	136,427
Interest income	**(26,128)**	(37,877)
Gain on disposal of subsidiaries	**–**	(59,559)
Change in fair value of financial assets at FVTPL	**(1,892)**	(7,700)
Finance costs	**201,711**	299,072
Share-based payment expenses	**20,134**	16,697
Share of results of joint ventures	**(9,900)**	(10,512)
Share of results of associates	**(3,938)**	(158)
Loss (gain) on disposal of property, plant and equipment	**452**	(87)
Loss on modification of asset-backed securities issued	**1,380**	–
Loss on repurchase of asset-backed securities issued	**3,520**	–
Loss on modification of corporate bonds	**–**	628
Loss on redemption of corporate bonds	**–**	2,512
Changes in fair value of investment properties	**(1,006)**	(9,059)
Net foreign exchange loss	**11,740**	35,355
Others	**(1,542)**	(988)
Operating cash flows before movements in working capital	**1,195,925**	1,156,742
Decrease in inventories	**931**	2,700
Increase in trade receivables	**(71,679)**	(140,737)
Increase in other receivables and prepayments	**(34,640)**	(203,420)
Changes in payments/receipts on behalf of residents	**(185,855)**	(268,360)
Decrease (increase) in contract assets	**12,961**	(15,712)
Increase (decrease) in contract liabilities	**92,879**	(247,616)
(Decrease) increase in trade payables	**(107,929)**	655,512
Decrease in other payables and accruals	**(111,736)**	(276,534)
Decrease in amounts due from fellow subsidiaries	**10,185**	36,855
Decrease in amounts due to fellow subsidiaries	**(6,241)**	(1,086)
(Increase) decrease in amounts due from related parties	**(53,597)**	4,475
Cash generated from operations	**741,204**	702,819
Income taxes paid	**(196,568)**	(176,898)
NET CASH FROM OPERATING ACTIVITIES	**544,636**	525,921

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Interest received		**26,128**	37,877
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	42	**6,954**	8,344
Deposit paid for acquisition of subsidiaries		**(2,150)**	(68,788)
Deposit refunded for acquisition of subsidiaries		**1,448**	–
Settlement of consideration payables on acquisition of subsidiaries		**(557)**	(247)
Settlement of consideration receivables of disposal of subsidiaries		**9,685**	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	43	**–**	47,539
Disposal of associates and joint ventures		**20,195**	4,500
Purchase of property, plant and equipment		**(26,569)**	(65,583)
Proceeds on disposal of investment properties		**7,683**	16,340
Proceeds of disposal of property, plant and equipment		**5,663**	1,203
Payment for right-of-use assets		**(74,148)**	–
Purchase of equity instruments designated at FVTOCI		**(3,360)**	(31,710)
Proceeds of disposal of equity instruments designated at FVTOCI		**308**	–
Return of capital on deregistration of an equity instrument designated at FVTOCI		**–**	60,000
Purchase of financial assets at FVTPL		**(7,600)**	(25,348)
Redemption of financial assets at FVTPL		**32,554**	198,884
Capital injection to associates and joint ventures		**(20,706)**	(71,985)
Increase in pledged bank deposits		**(124,146)**	(144,625)
Decrease in pledged bank deposits		**255,500**	175,800
Dividend received from joint ventures		**300**	2,403
Dividend received from associates		**1,751**	2,448
Advances of loan receivables		**(117,228)**	(189,327)
Repayment of loan receivables		**138,715**	26,460
Advances to fellow subsidiaries		**(54,641)**	(432,247)
Repayment from fellow subsidiaries		**27,730**	670,094
Advances to associates		**(4,338)**	(4,933)
Repayment from associates		**968**	16,595
Advances to related parties		**(2,127)**	(14,322)
Repayment from related parties		**7,485**	9,252
Advances to joint ventures		**(172,624)**	(100,660)
Repayment from joint ventures		**410**	–
Advances to non-controlling shareholders of the subsidiaries		**(13,483)**	(14,961)
Repayment from non-controlling shareholders of the subsidiaries		**37,757**	8,884
Repayment from a director		**–**	383
NET CASH (UESD IN) FROM INVESTING ACTIVITIES		**(42,443)**	122,270

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES			
Interest paid		**(206,989)**	(292,970)
Net proceeds from issuance of asset-backed securities		**–**	98,236
Repurchase/repayment of asset-backed securities		**(160,782)**	(71,250)
New borrowings raised		**673,598**	2,040,032
Repayments of bank borrowings		**(1,730,732)**	(1,069,603)
Repayments of corporate bonds		**(160,000)**	(240,000)
Repayments of lease liabilities		**(1,330)**	–
Capital contribution from a non-controlling shareholders of certain subsidiaries		**23,997**	4,171
Advances from fellow subsidiaries		**152,418**	27,318
Repayment to fellow subsidiaries		**(110,256)**	(989)
Settlement of consideration payables on acquisition of subsidiaries under common control to fellow subsidiaries	37	**(154,000)**	(595,487)
Advances from joint ventures		**35,867**	–
Repayment to joint ventures		**–**	(6,786)
Advances from associates		**195**	6,470
Repayment to associates		**(10,445)**	(12)
Advances from non-controlling shareholders of the subsidiaries		**24,048**	23,342
Repayment to non-controlling shareholders of the subsidiaries		**(8,277)**	(5,496)
Advance from related parties		**8,113**	11,769
Repayment to related parties		**(11,769)**	–
Proceeds from issue of new shares		**435,343**	352,296
Proceeds from issue of shares upon exercise of share options		**15**	75,870
Dividends paid to non-controlling shareholders of the subsidiaries		**(30,797)**	(22,658)
Dividends paid to shareholders of the Company		**(210,375)**	(166,237)
Purchase of shares for share award scheme		**(7,647)**	(5,585)
NET CASH (UESD IN) FROM FINANCING ACTIVITIES		**(1,449,805)**	162,431
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(947,612)**	810,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,666,922**	1,847,528
Effect of foreign exchange rate changes		**1,918**	8,772
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**1,721,228**	2,666,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Its immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 49.

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

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

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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 and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases"

The Group has applied HKFRS 16 "Leases" ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

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.

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. 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;
- 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.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" (Continued)

As a lessee *(Continued)*

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 incremental borrowing rate applied by the Group is 8.47% per annum.

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

	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 and other leases (with lease term ended within 12 months of the date of application)	(421)
Recognition exemption – low-value assets (excluding short-term lease and other leases (with lease term ended within 12 months of the date of application) of low-value assets)	(2,679)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	12,370
Analysed as	
Current	1,557
Non-current	10,813
	12,370

The carrying amount of right-of-use assets for own use 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 transitional 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 as a lessor does not have a material impact on the retained profits at 1 January 2019.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" (Continued)

As a lessor *(Continued)*

Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" to account for the equipment leasing contracts as the Group has the practical ability to substitute alternative equipment throughout the period of use and the customer would not have the right to use an identified asset, and thus a lease would not exist. The related revenue were accounted for as revenue from contracts with customers and included in value-added services relating to other value-added services for the current year.

The following adjustments were made to the amounts recognised in the 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 Assets			
Trade receivables	629,710	–	629,710
– contracts with customers	582,788	46,922	629,710
– leasing	46,922	(46,922)	–
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 year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" (Continued)

As a lessor *(Continued)*

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement profit or loss and other comprehensive income for the year ended 31 December 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 16, as a lessor RMB'000
Revenue			
Contracts with customers	3,845,003	(39,407)	3,805,596
Leases	–	39,407	39,407

Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments" ("HKFRS 9"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 1 January 2019, amount due from a joint ventures of RMB81,505,000 are considered as long-term interest that, in substance form part of the Group's net investment in the relevant joint venture. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

*Amendments to HKFRS 3 "*Definition of a Business*"*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Group intends to elect the optional concentration test for acquisition of subsidiaries. Such election may result in certain acquisitions being accounted for as asset acquisitions upon the application of the amendments.

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

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets" ("HKAS 36").

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed of directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving business under common control

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

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

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

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

Investment in a structured entity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

For property management services, value-added services (including online promotion services and other value-added services) and engineering services (including repair and maintenance services and energy-saving services), the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Input method

For engineering services relating to equipment installation services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and commercial 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets

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.

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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful lives 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 consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities *(Continued)*

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modification

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.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to 1 January 2019)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee (prior to 1 January 2019) (Continued)

Leasehold land and building

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

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits (upon application of HKFRS 16 since 1 January 2019)

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

Lease modification (upon application of HKFRS 16 since 1 January 2019)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

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

Government grants

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

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

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

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits *(Continued)*

Short-term and other long-term employee benefits (Continued)

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

Share-based payments

Equity-settled share-based payment transactions

Shares/share options scheme

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

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

Share award scheme

Where the Group's shares are acquired by the trustee of the share award scheme from the open market, the total consideration of shares acquired from the open market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

The fair value of the awarded shares at the grant date is expensed on a straight-line basis over the projected vesting period being the period for which the services from the employees are rendered with a corresponding increase in equity (shares held for share award scheme).

Upon vesting and transfer the shares to the grantees, the related costs of the shares are reversed from shares held for share award scheme, and the related expenses of the shares are reversed from "shares held for share award scheme" included in reserves. The difference arising from such transfer is debited/credited to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16), if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets acquired in a business combination

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

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or the group of cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, lease receivables, payments on behalf of residents, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures, pledged bank deposits and bank balances) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables, contract assets, lease receivables and payments on behalf of residents. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, lease receivables, loan receivables and payments on behalf of residents, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on appropriate basis, taken into the following considerations:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of counterparties; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables, contract assets, loan receivables, payments on behalf of residents and amount due from a joint venture where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is remained at FVTOCI reserve.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Corporate bonds and asset-backed securities issued

Corporate bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the corporate bonds and asset-backed securities issued are carried at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities other than corporate bonds and asset-backed securities issued at amortised cost

Financial liabilities including trade payables, other payables, receipts on behalf of residents, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition/substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The details are set out in note 21. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash flows due to unfavourableness, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB2,317,252,000 (2018: RMB2,248,054,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of intangible assets net of accumulated impairment loss and amortisation was RMB1,091,235,000 (2018: RMB1,146,946,000).

Provision of ECL for trade receivables (including lease receivables)

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 24 and 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Provision of ECL for payments on behalf of residents and contract assets

The Group uses provision matrix to calculate ECL for the payments on behalf of residents and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's payments on behalf of residents and contract assets are disclosed in notes 28, 23 and 41, respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2019, the carrying amount of property, plant and equipment was RMB202,735,000 (2018: RMB236,808,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in the future. As at 31 December 2019, the carrying amount of investment properties was RMB155,040,000 (2018: RMB123,544,000).

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	2,989,342	–	–	2,989,342
Pre-delivery services	123,695	–	–	123,695
Commission basis	196,041	–	–	196,041
Consultancy services fee	32,423	–	–	32,423
	3,341,501	–	–	3,341,501
Value-added services				
Online promotion services	–	148,295	–	148,295
Sales and rental assistance	–	147,316	–	147,316
Other value-added services	–	105,690	–	105,690
	–	401,301	–	401,301
Engineering services				
Equipment installation services	–	–	71,333	71,333
Repair and maintenance services	–	–	14,041	14,041
Energy-saving service fees	–	–	16,827	16,827
	–	–	102,201	102,201
	3,341,501	401,301	102,201	3,845,003
Timing of revenue recognition				
A point in time	–	147,316	–	147,316
Over time	3,341,501	253,985	102,201	3,697,687
	3,341,501	401,301	102,201	3,845,003

Effective on 1 January 2019, the Group has applied HKFRS 15 to account for the equipment leasing contracts as the Group has the practical ability to substitute alternative equipment throughout the period of use and the customer would not have the right to use an identified asset, and thus a lease would not exist. The related revenue were accounted for as revenue from contracts with customers and included in value-added services relating to other value-added services for the year ended 31 December 2019.

5. REVENUE FROM SERVICES *(Continued)*

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

For the year ended 31 December 2019 (Continued)

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

	For the year ended 31 December 2019					
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Segment revenue	1,035,306	916,703	1,100,384	613,825	347,531	4,013,749
Elimination	(39,381)	(32,612)	(48,681)	(31,514)	(16,558)	(168,746)
Revenue from contracts with customers and total revenue	**995,925**	**884,091**	**1,051,703**	**582,311**	**330,973**	**3,845,003**

5. REVENUE FROM SERVICES *(Continued)*

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

For the year ended 31 December 2018

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	2,605,521	–	–	2,605,521
Pre-delivery services	253,546	–	–	253,546
Commission basis	181,556	–	–	181,556
Consultancy services fee	23,436	–	–	23,436
	3,064,059	–	–	3,064,059
Value-added services				
Online promotion services	–	169,448	–	169,448
Sales and rental assistance	–	146,612	–	146,612
Other value-added services	–	92,359	–	92,359
	–	408,419	–	408,419
Engineering services				
Equipment installation services	–	–	61,371	61,371
Repair and maintenance services	–	–	14,874	14,874
Energy-saving service fees	–	–	16,667	16,667
	–	–	92,912	92,912
	3,064,059	408,419	92,912	3,565,390
Timing of revenue recognition				
A point in time	–	146,612	–	146,612
Over time	3,064,059	261,807	92,912	3,418,778
	3,064,059	408,419	92,912	3,565,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE FROM SERVICES *(Continued)*

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

For the year ended 31 December 2018 (Continued)

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

	For the year ended 31 December 2018					
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Segment revenue	971,235	888,115	1,025,883	517,523	329,238	3,731,994
Elimination	(38,224)	(34,291)	(49,190)	(27,695)	(17,204)	(166,604)
Revenue from contracts with customers	933,011	853,824	976,693	489,828	312,034	3,565,390
Leasing income of equipment	10,604	23,721	9,168	2,577	2,198	48,268
Total revenue	943,615	877,545	985,861	492,405	314,232	3,613,658

(ii) Performance obligations for contracts with customers

Property management services mainly includes property management services under lump sum basis, commission basis, pre-delivery services and consultancy service arrangement. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, who simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue over time and all related property management costs as its cost of services.

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

For property management services income in pre-delivery services, where the Group acts as principal and is primarily responsible for providing the property management services for the property developers, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement, where the Group acts as principal and is primarily responsible for providing the consultancy services for the property management companies, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs. The Group agrees the fee for services with the property management companies upfront and recognises the fee received or receivable from the property management companies as its revenue over time and all related property management costs as its cost of services.

Value-added services mainly includes usage fees from online promotion services, sales and rental assistance and other value-added services. The Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period.

For online promotion services and other value-added services, as the customers simultaneously receive and consume the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due upon issuance of invoice when performance obligations are satisfied.

For sales and rental assistance services, the Group provides agency services to property developers and community-related service providers. Agency commission is recognised at a point in time when a buyer/lessee and seller/lessor execute a legally binding agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Engineering services mainly includes equipment installation services, repair and maintenance services and energy-saving services. For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 regarding property management services and engineering services is expected to recognise as revenue within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE FROM SERVICES *(Continued)*

(iv) Leases

For the year ended 31 December 2019, no revenue arising from leases is recognised by the Group.

For the year ended 31 December 2018, the revenue arising from leases recognised by the Group was as follows:

	RMB'000
Operating lease income – equipment leasing	48,268

6. SEGMENT INFORMATION

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

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

– Eastern China: mainly includes the cities of Shanghai, Nanjing, Qingdao, Hangzhou, Hefei, Wuxi, Suzhou, Jinan;

– Southern China: aggregate of Shenzhen region and Southern China and mainly includes the cities of Shenzhen, Nanchang, Dongguan, Guangzhou, Quanzhou, Foshan, Huizhou, Fuzhou;

– Western China: aggregate of Southwestern China and Northwestern China and mainly includes the cities of Chengdu, Chongqing, Liuzhou, Nanning, Yinchuan, Xi'an, Kunming, Guilin;

– Northern China: aggregate of Northeastern China and Northern China and mainly includes the cities of Dalian, Beijing, Tianjin, Hohhot, Tangshan, Shijiazhuang, Taiyuan, Baotou; and

– Central China: mainly includes the cities of Wuhan, Zhengzhou, Changsha, Changde, Yiyang, Yichang, Xiangyang, Xiangtan.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of impairment losses recognised on loan receivables and amount due from a joint venture, changes in fair value of investment properties and financial assets at FVTPL, share of results of associates and joint ventures, interest income, finance costs, share-based payment expenses, gain on disposal of subsidiaries, loss on repurchase, redemption and modification of corporate bonds and asset-backed securities issued, exchange loss and other unallocated expenses. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by 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
As at 31 December 2019						
Segment revenue	995,925	884,091	1,051,703	582,311	330,973	3,845,003
Segment profit	215,582	251,710	288,404	102,879	95,188	953,763
Changes in fair value of investment properties						1,006
Changes in fair value of financial assets at FVTPL						1,892
Share of results of associates						3,938
Share of results of joint ventures						9,900
Impairment losses on amount due from a joint venture and loan receivables						(24,856)
Finance costs						(201,711)
Interest income						26,128
Share-based payment expenses						(20,134)
Loss on repurchase of asset-backed securities issued						(3,520)
Loss on modification of asset-backed securities issued						(1,380)
Exchange loss						(11,740)
Other unallocated expenses						(17,039)
Profit before tax						716,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. 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
As at 31 December 2018						
Segment revenue	943,615	877,545	985,861	492,405	314,232	3,613,658
Segment profit	233,259	242,093	264,143	92,103	87,361	918,959
Changes in fair value of investment properties						9,059
Changes in fair value of financial assets at FVTPL						7,700
Gain on disposal of subsidiaries						59,559
Share of results of associates						158
Share of results of joint ventures						10,512
Finance costs						(299,072)
Interest income						37,877
Share-based payment expenses						(16,697)
Loss on redemption of corporate bonds						(2,512)
Loss on modification of corporate bonds						(628)
Exchange loss						(35,355)
Other unallocated expenses						(19,625)
Profit before tax						669,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2019						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	**43,132**	**23,080**	**35,014**	**28,421**	**9,936**	**139,583**
Depreciation of property, plant and equipment	**17,562**	**13,906**	**10,155**	**9,861**	**3,441**	**54,925**
Depreciation of right-of-use assets	**101**	**2,680**	**141**	**–**	**1,038**	**3,960**
Impairment loss recognised on payments on behalf of residents	**17,450**	**16,044**	**6,364**	**3,936**	**3,579**	**47,373**
Impairment losses recognised on trade receivables and contract assets	**3,571**	**2,905**	**4,255**	**2,511**	**1,208**	**14,450**
Loss on disposal of property, plant and equipment	**–**	**(452)**	**–**	**–**	**–**	**(452)**
As at 31 December 2018						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	43,777	23,080	34,812	24,301	10,457	136,427
Depreciation of property, plant and equipment	20,107	17,676	18,672	7,198	5,979	69,632
Impairment loss recognised on payments on behalf of residents	18,296	10,327	6,048	1,778	4,397	40,846
Impairment loss recognised on trade receivables and contract assets	3,031	2,849	3,108	1,575	1,015	11,578
Gain on disposal of property, plant and equipment	87	–	–	–	–	87

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

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
Year ended 31 December 2019				
Revenue from major services	**3,341,501**	**401,301**	**102,201**	**3,845,003**
Profit from major services	**592,995**	**298,344**	**62,424**	**953,763**
Year ended 31 December 2018				
Revenue from major services	3,064,059	408,419	141,180	3,613,658
Profit from major services	529,036	309,229	80,694	918,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Revenue and results from major services *(Continued)*

The following table provides an analysis of the Group's revenue by major services:

	2019 RMB'000	2018 RMB'000
Property management services		
Lump sum basis	**2,989,342**	2,605,521
Pre-delivery services	**123,695**	253,546
Commission basis	**196,041**	181,556
Consultancy services	**32,423**	23,436
	3,341,501	3,064,059
Value-added services		
Online promotion services	**148,295**	169,448
Sales and rental assistance	**147,316**	146,612
Other value-added services*	**105,690**	92,359
	401,301	408,419
Engineering services		
Equipment installation service fees	**71,333**	61,371
Repair and maintenance services	**14,041**	14,874
Energy-saving services	**16,827**	16,667
Equipment leasing income	**–**	48,268
	102,201	141,180
	3,845,003	3,613,658

* During the year ended 31 December 2019, included in other value-added services amounting to RMB39,407,000 were related to the equipment leasing contracts which accounted for and included in equipment leasing income in prior years.

Information about major customers

During the years ended 31 December 2019 and 2018, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

7. OTHER INCOME, GAINS AND LOSSES

	2019 **RMB'000**	2018 RMB'000
Other income		
Interest income from		
– loan receivables	**9,054**	27,789
– banks	**16,645**	9,497
– non-current advance to staffs	**429**	580
– a director	**–**	11
Partial exemption of value-added tax	**18,217**	–
Unconditional government grants	**1,128**	9,279
Interest income on financial assets at FVTPL	**1,892**	7,700
Rentel income from investment properties (lease payments that are fixed)	**150**	–
Operating lease income – investment properties	**–**	289
Others	**1,175**	1,004
	48,690	56,149
Other gains and losses		
Gain on disposal of subsidiaries (note 43)	**–**	59,559
(Loss) gain on disposal of property, plant and equipment	**(452)**	87
Loss on modification of asset-backed securities issued (2018: corporate bonds)	**(1,380)**	(628)
Loss on repurchase of asset-backed securities issued	**(3,520)**	–
Loss on redemption of corporate bonds	**–**	(2,512)
Exchange loss	**(11,740)**	(35,355)
Others	**(2,097)**	(2,222)
	(19,189)	18,929

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 **RMB'000**	2018 RMB'000
Impairment loss recognised on		
– trade receivables (note 24)	**(13,997)**	(11,211)
– contract assets (note 23)	**(453)**	(367)
– payments on behalf of residents (note 28)	**(47,373)**	(40,846)
– amount due from a joint venture (note 50(b))	**(8,606)**	–
– loan receivables (note 25)	**(16,250)**	–
	(86,679)	(52,424)

Details of impairment assessment are set out in note 41(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interests on:		
– borrowings	**(162,869)**	(238,383)
– corporate bonds (note 35)	**(16,285)**	(37,959)
– asset-backed securities issued (note 36)	**(20,861)**	(22,083)
– amount due to a fellow subsidiary (note 50(a))	**(426)**	(647)
– lease liabilities	**(1,270)**	–
	(201,711)	(299,072)

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**(232,347)**	(192,774)
Deferred tax (note 26)		
Credit to profit and loss	**51,791**	40,866
	(180,556)	(151,908)

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

Under the law and regulation of PRC on EIT (the "EIT Law"), the tax rate of the PRC subsidiaries is 25% for both years, except for the exemption and preferential rate as disclosed in note (b) below.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB2,788,983,000 (2018: RMB2,024,206,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE *(Continued)*

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

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**716,247**	669,935
Tax at the PRC EIT rate of 25% (2018: 25%)	**179,062**	167,484
Tax effect of expenses not deductible for tax purpose (note a)	**37,588**	38,590
Tax effect of non-taxable income	**(1,850)**	(11,282)
Tax effect of tax losses not recognised	**29,963**	25,669
Utilisation of tax loss previously not recognised	**(6,528)**	(23,392)
Tax effect of deductible temporary difference not recognised	**–**	1,508
Tax effect of share of results of associates	**(985)**	(40)
Tax effect of share of results of joint ventures	**(2,475)**	(2,628)
Tax effect of different tax rates of certain subsidiaries (note b)	**(53,754)**	(44,653)
Others	**(465)**	652
Income tax expense	**180,556**	151,908

Notes:

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

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15%, (ii) a PRC company, which is registered in Shenzhen, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, under the condition of annual registration as energy conservation and environmental protection enterprise at local tax bureau and (iii) certain PRC companies, which are registered in Chengdu, Chongqing and Xi'an and engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% for both the year ended 31 December 2019 and 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**7,943**	5,997
Other staffs' salaries and other benefits	**1,198,009**	1,036,343
Retirement benefits scheme contributions	**162,854**	133,434
Share-based payment expenses	**17,144**	15,800
Total staff costs	**1,385,950**	1,191,574
Auditors' remuneration	**4,300**	4,100
Amortisation of intangible assets (note 22)	**139,583**	136,427
Depreciation of property, plant and equipment (note 15)	**54,925**	69,632
Depreciation of right-of-use assets (note 16)	**3,960**	–

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

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

	2019 RMB'000	2018 RMB'000
Directors' fee	**1,166**	1,333
Other emoluments		
– salaries and other benefits	**3,775**	3,752
– retirement benefits scheme contributions	**12**	15
– share-based payment expenses	**2,990**	897
	7,943	5,997

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

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

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2019						
Executive directors						
Mr. Tang Xuebin (note ii)	–	228	355	4	483	1,070
Mr. Dong Dong (note iii)	–	142	216	3	549	910
Mr. Pan Jun (note iv)	–	67	–	–	150	217
Mr. Chen Xinyu (note v)	–	86	–	–	–	86
Mr. Huang Wei (note vi)	–	681	2,000	5	517	3,203
	–	1,204	2,571	12	1,699	5,486
Non-executive directors						
Mr. Tang Xuebin (note ii)	33	–	–	–	40	73
Mr. Pan Jun (note iv)	173	–	–	–	379	552
Mr. Zhou Hongyi	240	–	–	–	218	458
	446	–	–	–	637	1,083
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	218	458
Mr. Liao Jianwen	240	–	–	–	218	458
Mr. Xu Xinmin	240	–	–	–	218	458
	720	–	–	–	654	1,374
	1,166	1,204	2,571	12	2,990	7,943

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

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2018						
Executive directors						
Mr. Tang Xuebin	–	434	454	5	259	1,152
Mr. Dong Dong	–	357	363	5	143	868
Mr. Huang Wei (note vi)	–	644	1,500	5	51	2,200
	–	1,435	2,317	15	453	4,220
Non-executive directors						
Mr. Pan Jun	240	–	–	–	188	428
Mr. Lam Kam Tong (note vii)	133	–	–	–	–	133
Mr. Zhou Hongyi	240	–	–	–	64	304
	613	–	–	–	252	865
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	64	304
Mr. Liao Jianwen	240	–	–	–	64	304
Mr. Xu Xinmin	240	–	–	–	64	304
	720	–	–	–	192	912
	1,333	1,435	2,317	15	897	5,997

Notes:

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

(ii) Mr. Tang Xuebin resigned as the executive director and the chief executive of the Company and was re-designated as a non-executive director of the Company on 3 December 2019.

(iii) Mr. Dong Dong resigned on 23 August 2019.

(iv) Mr. Pan Jun resigned as the non-executive director and was re-designated as an executive director of the Company on 19 September 2019.

(v) Mr. Chen Xinyu was appointed as executive director on 19 September 2019.

(vi) Mr. Huang Wei was appointed as executive director on 20 July 2018 and was re-designated as the chief executive of the Company on 3 December 2019.

(vii) Mr. Lam Kam Tong resigned on 20 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

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

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

Mr. Huang Wei (since 3 December 2019) and Mr. Tang Xuebin (before 3 December 2019) were the chief executive of the Company, and their emoluments disclosed above include those for services rendered by them as chief executive.

The five highest paid individuals of the Group included 3 (2018: 3) directors for the year ended 31 December 2019. The remunerations of the remaining 2 (2018: 2) individuals for the year ended 31 December 2019, which were individually within HKD1,000,000 (2018: HKD1,000,000) are set out below:

	2019 **RMB'000**	2018 RMB'000
Employees		
– salaries and other benefits	**2,012**	1,355
– retirement benefits scheme contributions	**9**	8
– share-based payment expenses	**86**	268
	2,107	1,631

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, no directors waived any emoluments during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
2018 final dividend HK18.00 cents, equivalent to RMB15.4 cents (2018: final dividend in respect of the year ended 31 December 2017 of HK15.00 cents, equivalent to RMB12.11 cents) per share	**210,375**	166,237

Subsequent to 31 December 2019, a final dividend for the year ended 31 December 2019 of RMB9.12 cents (2018: HK18.00 cents, equivalent to RMB15.40 cents) per share amounting to RMB129,754,000 in aggregate has been proposed by the directors for approval by the shareholders of the Company in the forthcoming annual general meeting. The dividends for the year ended 31 December 2019 will be payable in cash or in form of new fully paid shares of the Company in respect of part or all of such dividends at shareholders' option. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

14. 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:

	2019	2018
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**498,570**	485,021
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,366,715**	1,279,781
Effect of dilutive potential ordinary shares:		
Share options	**–**	456
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,366,715**	1,280,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018	30,653	20,029	232,863	9,243	26,783	319,571
Additions	–	5,904	11,546	1,522	46,611	65,583
Acquisition of subsidiaries (note 42)	–	–	2,100	–	–	2,100
Transfer	–	–	44,980	–	(44,980)	–
Disposals	–	–	(4,125)	(1,347)	–	(5,472)
At 31 December 2018	**30,653**	**25,933**	**287,364**	**9,418**	**28,414**	**381,782**
Additions	**–**	**9,901**	**13,703**	**724**	**2,241**	**26,569**
Acquisition of subsidiaries (note 42)	**–**	**–**	**398**	**–**	**–**	**398**
Transfer	**–**	**–**	**29,184**	**–**	**(29,184)**	**–**
Disposals	**–**	**–**	**(8,827)**	**(594)**	**–**	**(9,421)**
At 31 December 2019	30,653	35,834	321,822	9,548	1,471	399,328
ACCUMULATED DEPRECIATION						
At 1 January 2018	90	6,108	70,801	2,699	–	79,698
Provided for the year	824	154	65,709	2,945	–	69,632
Eliminated on disposals	–	–	(3,280)	(1,076)	–	(4,356)
At 31 December 2018	**914**	**6,262**	**133,230**	**4,568**	**–**	**144,974**
Provided for the year	**690**	**11,604**	**41,508**	**1,123**	**–**	**54,925**
Eliminated on disposals	**–**	**–**	**(2,827)**	**(479)**	**–**	**(3,306)**
At 31 December 2019	**1,604**	**17,866**	**171,911**	**5,212**	**–**	**196,593**
CARRYING VALUES						
At 31 December 2019	**29,049**	**17,968**	**149,911**	**4,336**	**1,471**	**202,735**
At 31 December 2018	29,739	19,671	154,134	4,850	28,414	236,808

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

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

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

16. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2019			
Carrying amount	12,370	–	12,370
As at 31 December 2019			
Carrying amount	16,337	68,824	85,161
For the year ended 31 December 2019			
Depreciation charge	2,195	1,765	3,960
Expense relating to short-term leases and other leases with lease term ended within 12 months of the date of initial application of HKFRS 16			4,158
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease term ended within 12 months of the date of application of HKFRS 16, of low value assets			1,460
Total cash outflow for leases			82,366
Additions to right-of-use assets			76,751

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 3 years to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group acquired a parcel of leasehold lands during the year ended 31 December 2019. The Group is the registered owner of the land interests. Lump sum payment of RMB70,589,000 was made upfront to acquire the land interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group has no extension and/or termination options in a number of leases for office premises. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only with consent of the Group and the respective lessors. As the Group has no enforceable rights and obligations to extend or terminate the leases, therefore, the Group has not considered those periods beyond the initial non-cancellable period and has not considered the early termination option in the non-cancellable period in the assessment of lease terms.

The above items of right-of-use are depreciated on a straight-line basis over the following period:

Office premises	Over the shorter of the estimated useful lives and lease term of 3-14 years
Leasehold lands	Over the shorter of the estimated useful lives and lease term of 31 years

Restrictions or covenants on leases

In addition, lease liabilities of RMB13,643,000 are recognised with related right-of-use assets of RMB16,337,000 as at 31 December 2019. The lease agreements do not impose any covenants in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

17. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2018	70,554
Additions	60,271
Disposals	(16,340)
Net change in fair value recognised in profit or loss	9,059
At 31 December 2018	123,544
Additions	38,173
Disposals	(7,683)
Net change in fair value recognised in profit or loss	1,006
At 31 December 2019	155,040
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2019	3,734
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2018	8,305

17. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's completed investment properties at 31 December 2019 and 2018 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

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

The fair values of these investment properties as at 31 December 2019 and 2018 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2019 and 2018 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	**Fair value as at 31 December 2019** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	155,040	Huizhou, Wuhan, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian and Taiyuan	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 5,100 – 53,000	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location: 7% – 14%	A significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

17. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group	Fair value as at 31 December 2018 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Sensitivity
Investment properties	123,544	Huizhou, Wuhan, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou and Kunming	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 5,500 – 47,800	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location: 3% – 10%	A significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

18. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Cost of investments, unlisted	**53,864**	42,728
Share of post-acquisition results, net of dividends received	**1,693**	(841)
	55,557	41,887

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

Name of entities	**Place of incorporation/ establishment**	**Place of operation**	**Equity interest attributable to the Group**		**Proportion of voting power held by the Group**		**Principal activities**
			2019	2018	**2019**	2018	
天津嘉創物業服務有限公司 Tianjin Jiachuang Property Management Services Co., Ltd. ("Tianjin Jiachuang") (note d)	PRC	PRC	**43%**	43%	**43%**	43%	Property management in the PRC
蘭州城關物業服務集團有限公司 Lanzhou Chengguan Property Management Services Co., Ltd. ("Lanzhou Chengguan") (note e)	PRC	PRC	**10%**	10%	**10%**	10%	Property management in the PRC

18. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) During the year ended 31 December 2019, the Group made total capital contributions of RMB10,836,000 (2018: RMB2,563,000) to establish certain associates. The associates mainly act as investment holdings companies and invest in community-related services.

(b) During the year ended 31 December 2019, the Group has disposed of its interests in an associate at a consideration of RMB195,000 (2018: RMB4,500,000), with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) During the year ended 31 December 2019, the Group received dividend of RMB1,751,000 (2018: RMB2,448,000) from associates.

(d) During the year ended 31 December 2018, the Group acquired 43% equity interest in Tianjin Jiachuang at a consideration of RMB10,182,000. Upon the completion of the acquisition, the Group has 43% voting right at the shareholders' meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, Tianjin Jiachuang has another shareholder which holds 57% equity interest in Tianjin Jiachuang. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Tianjin Jiachuang is accounted for as an associate of the Group.

(e) During the year ended 31 December 2018, the Group acquired 10% equity interest in Lanzhou Chengguan at a consideration of RMB12,240,000. Upon the completion of the acquisition, the Group has 10% voting right at the shareholders' meeting of Lanzhou Chengguan. Pursuant to the shareholder's agreement, the board of directors of Lanzhou Chengguan, the governing body which directs the relevant activities that significantly affect the returns of Lanzhou Chengguan, consists of seven directors of which the Group and other two shareholders can appoint one director and six directors, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Lanzhou Chengguan is accounted for as an associate of the Group.

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

	2019 **RMB'000**	2018 RMB'000
Information of the associates that is not material:		
The Group's share of profit and other comprehensive income	**3,938**	158

19. INTERESTS IN JOINT VENTURES

	2019 **RMB'000**	2018 RMB'000
Cost of investments, unlisted	**79,927**	90,057
Share of post-acquisition results, net of dividends received	**20,297**	10,697
	100,224	100,754

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19. INTERESTS IN JOINT VENTURES *(Continued)*

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

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2019	2018	**2019**	2018	
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") (note a)	PRC	PRC	**46%**	46%	**46%**	46%	Provision of parking services
六安藍城佳園投資有限公司 Lu'an Lancheng Jiayuan Investment Co., Ltd. ("Lu'an Lancheng") (note e)	PRC	PRC	**35%**	35%	**35%**	35%	Investment holding

Notes:

(a) Pursuant to the amended shareholder's agreement, the Group has 46% voting right at the shareholder's meeting of Shenzhen Yixuan, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10% equity interests in Shenzhen Yixuan, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder.

(b) During the year ended 31 December 2019, the Group made total capital contributions of RMB9,870,000 (2018: RMB30,000,000) to establish certain joint ventures with a number of joint venture partners. The joint ventures mainly act as investment holding companies and invest in community-related services.

(c) During the year ended 31 December 2019, the Group has disposed of its interests in an associate at a consideration of RMB20,000,000 (2018: nil) with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(d) During the year ended 31 December 2019, the Group received dividend of RMB300,000 (2018: RMB2,403,000) from certain joint ventures.

(e) During the year ended 31 December 2018, the Group acquired 35% equity interest in Lu'an Lancheng at a consideration of RMB17,000,000. Upon the completion of acquisition, the Group has 35% voting right at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, the two shareholders hold 51% and 14% equity interests in Lu'an Lancheng, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Lu'an Lancheng is jointly controlled by the Group and the 51% shareholder.

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

	2019 **RMB'000**	2018 RMB'000
Information of the joint ventures that is not material:		
The Group's share of profit and other comprehensive income	**9,900**	10,512

20. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	Notes	**2019 RMB'000**	2018 RMB'000
Unlisted equity investments			
– Home E&E	(a)	**68,033**	75,288
– Others	(b)	**53,702**	45,167
		121,735	120,455

Notes:

(a) The equity investment represented the Group's investment in equity securities issued by Shenzhen Home E&E Commercial Services Group Co., Ltd.（深圳市美易家商務服務集團股份有限公司）("Home E&E"), a fellow subsidiary of the Company, which primarily engaged in property management, asset operation and management and the relevant value-added services for commercial properties in the PRC. The investment represented 4.2% shareholding of Home E&E.

(b) The other unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2019 and 2018. The investees mainly engage in community-related services.

Details of the fair value measurement of the investments are set out in note 41(c).

21. GOODWILL

	RMB'000
COST	
At 1 January 2018	2,208,959
Arising on acquisition of businesses (note 42)	46,796
Disposal of subsidiaries (note 43)	(6,831)
At 31 December 2018	2,248,924
Arising on acquisition of businesses (note 42)	69,198
At 31 December 2019	2,318,122
IMPAIRMENT	
At 1 January 2018 and 31 December 2018 and 2019	870
CARRYING VALUES	
At 31 December 2019	2,317,252
At 31 December 2018	2,248,054

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21. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill above has been allocated to certain groups of cash-generating units ("CGU"), comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these groups of CGU are as follows:

	2019 **RMB'000**	2018 RMB'000
Shenzhen region	**171,198**	169,157
Southern China	**353,384**	353,384
Eastern China	**650,984**	650,229
Southwestern China	**468,225**	468,225
Northwestern China	**113,964**	113,964
Northeastern China	**75,364**	75,364
Northern China	**225,998**	159,596
Central China	**258,135**	258,135
	2,317,252	2,248,054

During the years ended 31 December 2019 and 2018, the management of the Group determined that there is no impairment of any of these groups of CGU containing goodwill arising from the acquisition of businesses and/or business combination under common control.

The recoverable amounts of the above groups of CGU have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates as at 31 December 2019 and 2018.

Cash flow projections during the budget period for the groups of CGU are based on the management's key estimation of future cash flows including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates.

The discount rates reflect specific risks relating to the relevant group of CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

	2019	2018
Discount rates	**19%**	21% – 22%
Growth rate within the five-year period	**6% – 10%**	6% – 11%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts to exceed its recoverable amounts.

22. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000
COST	
At 1 January 2018	1,343,678
Arising on acquisition of subsidiaries (note 42)	8,920
At 31 December 2018	1,352,598
Arising on acquisition of subsidiaries (note 42)	83,872
At 31 December 2019	1,436,470
AMORTISATION	
At 1 January 2018	69,225
Provided for the year	136,427
At 31 December 2018	205,652
Provided for the year	139,583
At 31 December 2019	345,235
CARRYING AMOUNT	
At 31 December 2019	1,091,235
At 31 December 2018	1,146,946

The property management contracts and customer relationship were acquired from third parties through the acquisition of subsidiaries and/or business combination under common control.

The intangible assets have finite useful lives and are amortised on a straight-line basis over 5 years to 15 years, taking into account the prior experience of the renewal pattern of property management contracts.

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23. CONTRACT ASSETS

	2019 RMB'000	2018 RMB'000
Unbilled revenue of equipment installation services	**70,324**	81,698
Retention receivables	**198**	243
	70,522	81,941
Less: allowance for credit losses	**(2,829)**	(2,376)
	67,693	79,565
Classified as:		
Non-current assets	**22,229**	21,804
Current assets	**45,464**	57,761
	67,693	79,565

As at 1 January 2018, contract assets amounted to RMB63,232,000.

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services relate to the installation of energy-saving lighting systems for the communities managed by the Group. The Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. Upon the rights to consideration for the equipment installation services become unconditional, the amounts are transferred out of contract assets to trade receivables.

As at 31 December 2019, the amounts of RMB22,229,000 (2018: RMB21,804,000) are expected to transfer out to trade receivables after one year and are classified as non-current assets and the amounts of RMB45,464,000 (2018: RMB57,761,000) are expected to transfer out to trade receivables within one year and are classified as current assets.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2018	**1,352**	**657**	**2,009**
Impairment loss, net of reversal	**367**	**–**	**367**
Balance at 31 December 2018	**1,719**	**657**	**2,376**
Impairment loss, net of reversal	**85**	**368**	**453**
Transfer to credit-impaired	**(20)**	**20**	**–**
Balance at 31 December 2019	**1,784**	**1,045**	**2,829**

Details of the impairment assessment are set out in note 41(b).

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24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables			
– contracts with customers	(b)	**714,814**	627,072
– leasing		**–**	46,922
		714,814	673,994
Less: allowance for credit losses		**(56,570)**	(44,284)
Total trade receivables	(c)	**658,244**	629,710
Other receivables and prepayments:			
Refundable deposits		**429,195**	402,493
Advances to staffs	(d)	**74,810**	66,848
Prepayments to suppliers		**95,579**	102,114
Consideration receivables for disposal of subsidiaries (note 43)		**22,315**	32,000
Receivables for residential and commercial units rental assistance services on behalf of customers		**26,601**	12,069
Receivables from former shareholders of subsidiaries		**8,112**	8,955
Others		**95,141**	96,371
		751,753	720,850
		1,409,997	1,350,560
Classified as:			
Non-current			
Other receivables		**5,900**	6,286
Current			
Trade receivables		**658,244**	629,710
Other receivables and prepayments		**745,853**	714,564
		1,404,097	1,344,274
		1,409,997	1,350,560

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

Notes:

(a) As at 1 January 2018, trade receivables from contracts with customers amounted to RMB492,306,000.

(b) Upon application of HKFRS 16, the lease receivables amounting to RMB46,922,000 was reclassified to trade receivables from contracts with customers at 1 January 2019.

(c) As at 31 December 2019 and 1 January 2019, trade receivables from contracts with customers net of allowance for credit losses amounted to RMB658,244,000 and RMB629,710,000 respectively.

(d) The balances included the housing loans amounting to RMB7,010,000 (2018: RMB7,442,000) granted to staffs by the Group for their purchases of own properties. The housing loans bear interests at the rate ranging from 5.4% to 10% per annum and would be repaid in seven to ten years. Based on the terms of the housing loans agreements, the amounts of RMB1,110,000 (2018: RMB1,156,000) to be repaid in one year are classified as current assets and the amounts of RMB5,900,000 (2018: RMB6,286,000) to be repaid after one year are classified as non-current assets.

Trade receivables are mainly arisen from property management services income from communities under lump sum basis, pre-delivery services and consultancy service arrangement, value-added services income and engineering services income.

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

24. 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:

	2019 RMB'000	2018 RMB'000
0 – 30 days	**212,587**	256,004
31 – 90 days	**161,725**	168,111
91 – 180 days	**140,240**	121,741
181 – 365 days	**108,999**	53,991
Over 1 year	**34,693**	29,863
	658,244	629,710

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB445,657,000 (2018: RMB373,706,000) which are past due as at the reporting date. As at 31 December 2019, the trade receivables balance included RMB283,932,000 (2018: RMB205,585,000) which has been past due 90 days or more and is not considered as in default, as the Group has historical settlement information to demonstrate that a more lagging default criterion is more appropriate.

The Group does not hold any collateral over these balances as at 31 December 2019 and 2018.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
Balance at 1 January 2018	2,242	38,756	40,998
Impairment loss, net of reversal	4,112	7,099	11,211
Transfer to credit-impaired	(1,636)	1,636	–
Amounts written off	–	(7,925)	(7,925)
Balance at 31 December 2018	**4,718**	**39,566**	**44,284**
Impairment loss, net of reversal	**2,063**	**11,934**	**13,997**
Transfer to credit-impaired	**(2,412)**	**2,412**	**–**
Amounts written off	**–**	**(1,711)**	**(1,711)**
Balance at 31 December 2019	**4,369**	**52,201**	**56,570**

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the trade receivables are over two years past due, whichever occurs earlier.

Details of the impairment assessment are set out in note 41(b).

25. LOAN RECEIVABLES

	Notes	**2019 RMB'000**	2018 RMB'000
Fixed-rate loans provided to:			
– online platform and community-related service companies	(a)	**161,817**	221,944
– property management companies	(b)	**63,907**	25,267
		225,724	247,211
Less: allowance for credit losses		**(16,250)**	–
		209,474	247,211
Classified as:			
Non-current assets		**7,858**	35,868
Current assets		**201,616**	211,343
		209,474	247,211

Notes:

(a) As at 31 December 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 RMB161,817,000 (2018: RMB221,944,000). The loans carry interests ranging from 5% to 18% (2018: 6% to 15%) per annum and will mature from February 2020 to December 2020. Included in loan receivables, the amounts of RMB32,500,000 (2018: RMB32,500,000) are pledged by equity interest in the borrower and amounts of RMB20,000,000 (2018: RMB24,000,000) are pledged by properties and land use rights held by the independent third parties. At 31 December 2019, all the loan receivables of RMB161,817,000 are due in one year and are classified as current assets. At 31 December 2018, the amounts of RMB194,431,000 are due in one year and are classified as current assets and the amounts of RMB27,513,000 are due after one year and are classified as non-current assets.

(b) At 31 December 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 RMB63,907,000 (2018: RMB25,267,000). The loans carry interests ranging from 10% to 15% (2018: 15%) per annum and will mature from September 2019 to June 2025. At 31 December 2019, the amounts of RMB39,799,000 (2018: RMB16,912,000) are due in one year and are classified as current assets and the amounts of RMB7,858,000 (2018: RMB8,355,000) are due after one year and are classified as non-current assets.

25. LOAN RECEIVABLES *(Continued)*

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2018 and 31 December 2018	–
Impairment loss	16,250
Balance at 31 December 2019	16,250

Details of the impairment assessment are set out in note 41(b).

26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2019 and 2018:

	Allowance for credit losses RMB'000	**Temporary difference on contract assets and others** RMB'000	**Fair value adjustments of properties** RMB'000	**Fair value adjustments of equity instrument designated at FVTOCI** RMB'000	**Intangible assets** RMB'000	**Total** RMB'000
At 1 January 2018	39,965	(2,600)	(10,662)	(6,250)	(318,613)	(298,160)
Acquisition of subsidiaries (note 42)	–	–	–	–	(2,230)	(2,230)
Credit (charge) to profit or loss	9,020	(162)	(2,099)	–	34,107	40,866
Charge to other comprehensive income	–	–	–	(72)	–	(72)
At 31 December 2018	48,985	(2,762)	(12,761)	(6,322)	(286,736)	(259,596)
Acquisition of subsidiaries (note 42)	–	–	–	–	(20,968)	(20,968)
Credit to profit or loss	15,361	885	650	–	34,895	51,791
Credit to other comprehensive income	–	–	–	443	–	443
At 31 December 2019	64,346	(1,877)	(12,111)	(5,879)	(272,809)	(228,330)

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26. DEFERRED TAXATION *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**61,806**	48,985
Deferred tax liabilities	**(290,136)**	(308,581)
	(228,330)	(259,596)

The Group had unutilised tax losses of RMB228,136,000 (2018: RMB141,431,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB296,572,000 (2018: RMB235,128,000). A deferred tax asset has been recognised in respect of RMB257,384,000 (2018: RMB195,940,000). No deferred tax asset has been recognised for the remaining amounts of RMB39,188,000 (2018: RMB39,188,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

As at 31 December 2019, the Group has made deposits of RMB9,868,000 (2018: RMB69,834,000) in relation to the proposed acquisition of business through acquisition of certain property management companies from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

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

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28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	Notes	2019 RMB'000	2018 RMB'000
Payments on behalf of residents	(a)		
– under commission basis	(c)	**855,111**	714,272
– under lump sum basis	(d)	**192,708**	172,708
– under consultancy services arrangements	(e)	**7,310**	14,453
		1,055,129	901,433
Less: allowance for credit losses		**(146,664)**	(122,816)
		908,465	778,617
Receipts on behalf of residents	(b)		
– under commission basis	(c)	**71,630**	70,131
– under lump sum basis	(d)	**329,764**	333,030
– under consultancy services arrangements	(e)	**2,468**	3,515
		403,862	406,676

Notes:

(a) The balances represent the current accounts with the property management offices of communities, which are the representatives of the residents of communities, managed by the Group. These property management offices of communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the communities, all transactions of these property management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the group entities.

(b) The balances represent the current accounts with individual residents of the communities managed by the Group.

(c) The balances represent the current accounts with the property management companies under consultancy services arrangement, including provision of treasury function by the Group for their management of the communities.

(d) A net receivable balance represents expenditures paid by the Group on behalf of the community, individual residents or property management companies in excess of the property management fees/reimbursements collected from the residents of that community. A net payable balance represents property management fee/reimbursements collected from residents of the community in excess of the expenditures paid by the Group on behalf of the community, individual residents or property management companies.

(e) The balances represent the current accounts with the property management companies under consultancy services management, including provision of treasury function by the Group for their management of the communities.

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

Movements of allowance for credit losses under lifetime ECL in relation to payments on behalf of residents

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
Balance at 1 January 2018	5,878	84,511	90,389
Impairment loss, net of reversal	4,932	35,914	40,846
Transfer to credit-impaired	(599)	599	–
Amounts written off	–	(8,419)	(8,419)
Balance at 31 December 2018	10,211	112,605	122,816
Impairment loss, net of reversal	2,917	44,456	47,373
Transfer to credit-impaired	(1,688)	1,688	–
Amounts written off	–	(23,525)	(23,525)
Balance at 31 December 2019	11,440	135,224	146,664

The Group writes off payments on behalf of residents for a community when there is information indicating that the community is in severe financial difficulty and there is no realistic prospect of recovery.

Details of the impairment assessment are set out in note 41(b).

29. FINANCIAL ASSETS AT FVTPL

As at 31 December 2019, financial assets at FVTPL mainly include convertible bonds investment in private entity. As at 31 December 2018, financial assets at FVTPL mainly include money market funds investment issued by a reputable securities corporation.

The return and principal of investments were not guaranteed. The investments have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis. Details of the fair value are set out in note 41(c).

As at 31 December 2019, the principal of the investments are RMB3,000,000 (2018: RMB26,062,000). In the opinion of directors, the fair value of investment at 31 December 2019 approximated to their principal amount.

30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2019, the pledged bank deposits amounting to RMB124,146,000 (2018: RMB346,000,000) were pledged to banks to secure the Group's banking facilities due within one year and classified as current assets and the pledged bank deposits amounting to RMB90,500,000 (2018: nil) were pledged to banks to secure the Group's banking facilities due after one year and classified as non-current assets, respectively.

For both the year ended 31 December 2019 and 2018, the Group's pledged bank deposits and bank balances carry interest at rates which range from 0.35% to 3.70% per annum, respectively.

31. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 **RMB'000**	2018 RMB'000
Trade payables	**401,176**	504,403
Other payables and accruals:		
Deposits received	**304,464**	319,421
Accrued staff costs	**300,515**	298,901
Provision for retirement benefit contributions	**120,257**	157,040
Other tax payable	**71,605**	80,010
Consideration payables for acquisition of subsidiaries	**20,287**	4,690
Receipts on behalf of online platform merchants	**4,419**	1,847
Rental payable	**1,371**	1,613
Other payables and accruals	**63,761**	104,208
	886,679	967,730
Total	**1,287,855**	1,472,133

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

	2019 **RMB'000**	2018 RMB'000
0 – 60 days	**275,658**	321,442
61 – 180 days	**82,941**	129,429
181 – 365 days	**26,884**	36,924
Over 1 year	**15,693**	16,608
	401,176	504,403

32. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Advances from customers:		
Property management services	**329,307**	218,586
Equipment installation services	**20,908**	20,106
	350,215	238,692

As at 1 January 2018, contract liabilities amounted to RMB473,928,000.

The following table shows how much of the revenue recognised in the both reporting periods relates to carried-forward contract liabilities.

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2019	218,586	14,039	232,625

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2018	460,150	8,358	468,508

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives the monthly property management service fee from customers in advance, it will give rise to contract liabilities, until the revenue recognised on the relevant contract upon provision of property management services, which are expected to be completed within one year from the date of advance payment made by customers.

When the Group receives a deposit before the equipment installation commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit, which are expected to be completed within two year from the date of advance payment made by customers.

The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts within services are expected to be rendered within one year from the date of payment made by customers.

33. BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Bank loans		**494,452**	628,191
Other loans	(a)/(b)	**1,545,828**	2,455,565
		2,040,280	3,083,756
Secured	(c)	**994,345**	1,023,382
Unsecured		**1,045,935**	2,060,374
		2,040,280	3,083,756
Variable-rate borrowings		**299,502**	395,764
Fixed-rate borrowings		**1,740,778**	2,687,992
		2,040,280	3,083,756
Carrying amounts repayable:			
Within one year		**752,576**	1,362,868
More than one year, but not exceeding two years		**962,704**	54,265
More than two years, but not exceeding five years		**325,000**	1,666,623
		2,040,280	3,083,756
Less: amounts due within one year shown under current liabilities		**(752,576)**	(1,362,868)
Amounts shown under non-current liabilities		**1,287,704**	1,720,888

Notes:

(a) As at 31 December 2018, included in other loans, amounting to RMB690,000,000 represents loan provided by a trust company and carried interest at 7.6% per annum. The loan is guaranteed by Fantasia Group (China) Co., Ltd.（花樣年集團（中國）有限公司）("Fantasia China Group"), a fellow subsidiary of the Company. The amount was fully settled in January 2019.

(b) As at 31 December 2019, included in other loans, the outstanding balance of RMB800,000,000 (2018: RMB1,000,000,000) represented loan provided by a former joint venture partner and carried interest at 8.63% per annum.

(c) The securities provided by the Group of the secured loans were the pledged bank deposits of the Group and equity interests of certain subsidiaries of the Company. Details of pledged assets were disclosed in note 51.

33. BORROWINGS *(Continued)*

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

	2019	2018
Variable-rate borrowings	**2.10% to 6.96%**	2.10% to 6.96%
Fixed-rate borrowings	**4.28% to 10.05%**	4.28% to 14%

34. LEASE LIABILITIES

	31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	**2,300**
More than one year but not more than two years	**1,830**
More than two years but not more than five years	**3,757**
More than five years	**5,756**
	13,643
Less: Amount due for settlement within one year shown under current liabilities	**(2,300)**
Amount due for settlement after one year shown under non-current liabilities	**11,343**

35. CORPORATE BONDS

	Notes	2019 RMB'000	2018 RMB'000
Domestic Corporate Bonds I	(a)	**–**	106,092
Domestic Corporate Bonds II	(b)	**–**	61,493
Domestic Corporate Bonds III	(c)	**149,786**	147,916
		149,786	315,501
Carrying amounts repayable:			
Within one year		**149,786**	181,497
More than one year, but not exceeding two years		**–**	10,635
More than two years, but not exceeding five years		**–**	123,369
		149,786	315,501
Less: amounts due within one year shown under current liabilities		**(149,786)**	(181,497)
Amounts shown under non-current liabilities		**–**	134,004

Notes:

(a) In January 2016, Shenzhen Colour Life Services Group Co., Ltd.（深圳市彩生活服務集團有限公司）("Shenzhen Colour Life"), a wholly-owned subsidiary of the Company, issued domestic corporate bonds in aggregate principal amount of RMB100,000,000. The corporate bonds were guaranteed by Fantasia China Group, carrying a nominal interest at rate of 6.7% per annum and interest was payable annually, commencing in January 2017. The issue price was 98.8% of the principal. The effective interest rate was 7.9% per annum. The corporate bonds was repaid upon maturity in January 2019.

(b) In September 2016, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB300,000,000. The corporate bonds were guaranteed by Fantasia China Group, carrying an original nominal interest at rate of 7.0% per annum and interest was payable annually, commencing in September 2017. The issue price was 97.1% of the principal. The original effective interest rate was 8.1% per annum.

In September 2018, Shenzhen Colour Life as the issuer was entitled to adjust the interest rate and the bond holders may at their options to sell back the bonds to the Group in whole or in part at face value of their principal amount.

In September 2018, Shenzhen Colour Life adjusted the nominal interest rate from 7.0% per annum to 8.0% and certain bond holders exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB240,000,000 to Shenzhen Colour Life. The related loss of redemption of RMB2,512,000 was recognised in profit or loss.

For the remaining RMB60,000,000 of corporate bonds, the adjusted nominal interest rate and effective interest rate was 8.0% per annum. The loss of adjustment to the carrying amount of the remaining corporate bonds of RMB628,000 was recognised in profit or loss at the date of modification in 2018.

The Domestic Corporate Bonds II was repaid upon maturity in September 2019.

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

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35. CORPORATE BONDS *(Continued)*

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

	2019 RMB'000	2018 RMB'000
At 1 January	**315,501**	552,602
Effective interest recognised	**16,285**	37,959
Payment of interests	**(22,000)**	(38,200)
Redemption of corporate bonds	**(160,000)**	(240,000)
Loss on redemption of corporate bonds	**–**	2,512
Loss on modification of corporate bonds	**–**	628
At 31 December	**149,786**	315,501

36. ASSET-BACKED SECURITIES ISSUED

	Notes	2019 RMB'000	2018 RMB'000
Asset-backed securities issued			
2016 ABS	(a)	**50,146**	174,228
2018 ABS	(b)	**54,402**	86,191
		104,548	260,419
Carrying amounts repayable*:			
Within one year		**70,078**	96,666
More than one year, but not exceeding two years		**34,470**	62,117
More than two years, but not exceeding five years		**–**	101,636
		104,548	260,419
Classified as:			
Current			
Carrying amounts with put options exerciable within one year		**37,520**	130,685
Carrying amounts without put options and repayable within one year		**49,963**	77,951
		87,483	208,636
Non-current		**17,065**	51,783
		104,548	260,419

* The amounts due are based on scheduled repayment dates set out in the agreements of asset-backed securities issued.

36. ASSET-BACKED SECURITIES ISSUED *(Continued)*

Notes:

(a) In August 2016, Shenzhen Colour Life issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China Group. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of 2016 ABS amounting to RMB135,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2016 ABS may at their options to sell back the 2016 ABS to the Group in whole or in part at face value of their principal amount in August 2019. Therefore, the carrying amount of 2016 ABS amounting to RMB130,685,000 are classified as current liabilities as at 31 December 2018.

In August 2019, the Group repurchased the 2016 ABS with the principal amount of RMB66,541,000 at a total consideration of RMB75,032,000. The loss on repurchase of RMB3,520,000 is recognised in profit or loss.

In August 2019, Shenzhen Colour Life adjusted the nominal interest rate of two tranches of 2016 ABS from both 6.1% per annum to 7% per annum and 7.2% per annum, respectively and no holders of 2016 ABS exercised the put options. The related loss of modification of RMB1,380,000 is recognised in profit or loss.

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

For certain portion of 2018 ABS amounting to RMB36,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2018 ABS may at their options to sell back the 2018 ABS to the Group in whole or in part at face value of their principal amount in January 2020. Therefore, the carrying amount of 2016 ABS amounting to RMB37,520,000 are classified as current liabilities as at 31 December 2019. In January 2020, all the holders of 2018 ABS exercised the put options and Shenzhen Colour Life redeemed the 2018 ABS with the principal amount of RMB36,000,000 in full.

The directors considered that the fair value of the put options is insignificant on initial recognition and 31 December 2019 and 2018.

The movement of the asset-backed securities during the year is set out below:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**260,419**	227,737
Net proceeds on the date of issuance	**–**	98,236
Effective interest recognised	**20,861**	22,083
Repayment	**(85,750)**	(71,250)
Repurchase of 2016 ABS	**(75,032)**	–
Interest paid	**(20,850)**	(16,387)
Loss on modification of 2016 ABS	**1,380**	–
Loss on repurchase of 2016 ABS	**3,520**	–
At 31 December	**104,548**	260,419

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37. SHARE CAPITAL

	Notes	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 2019		**50,000,000**	5,000,000
Issued and fully paid:			
At 1 January 2018		**995,741**	99,574
Issue of shares upon combination of entities under common control	(a)	**231,500**	23,150
Placement of new shares	(b)	**87,246**	8,725
Issue of shares upon exercise of share options	(c)	**14,151**	1,415
At 31 December 2018		**1,328,638**	132,864
Issue of shares upon exercise of share options	(d)	**3**	–
Placement of new shares	(e)	**94,105**	9,411
At 31 December 2019		**1,422,746**	142,275

	RMB'000
Shown in the consolidated financial statements:	
At 31 December 2019	115,134
At 31 December 2018	106,800

Notes:

(a) Pursuant to the sales and purchase agreement between the Group and Fantasia Holdings and certain subsidiaries of Fantasia Holdings other than the Group entered in 2018, the Group acquired the 100% beneficial interest in Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership)（深圳市幸福萬象投資合夥企業（有限合夥））("Shenzhen Wanxiang") and 100% equity interest in Wanxiangmei Property Management Co., Ltd.（萬象美物業管理有限公司）("Wanxiangmei"). The consideration was satisfied by the issuance of 231,500,000 ordinary shares of the Company to Fantasia Holdings and cash of RMB1,014,174,000. As at 31 December 2019, the consideration of RMB749,487,000 (2018: RMB595,487,000) was settled and remaining balance of RMB264,687,000 (2018: RMB418,687,000) is included in amounts due to fellow subsidiaries (see note 50(b)).

The shares were issued on 7 March 2018 and the fair value of the shares issued, based on the quoted price of the shares on that date, was HKD1,122,775,000 (equivalent to RMB907,225,000).

37. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(b) On 5 January 2018, the Company issued 87,246,000 new ordinary shares at subscription price of HKD5.00 per share to existing non-controlling shareholders of the Company at a total consideration of RMB352,296,000. The subscription price represented a discount of approximately 7.92% to the closing price of HKD5.43 as quoted on the SEHK on 5 January 2018, being the date of subscription agreement. The shares rank pari passu with the then existing shares in issue in all respects.

(c) During the year ended 31 December 2018, the Company issued 14,151,000 ordinary shares of HKD0.10 each upon exercise of share options at a total consideration of RMB75,870,000 in aggregate. The exercise price of the share options during the year ranging from HKD5.76 to HKD6.66 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(d) During the year ended 31 December 2019, the Company issued 3,000 ordinary shares of HKD0.10 each upon exercise of share options at a total consideration of RMB15,000 in aggregate. The exercise price of the share options during the year was HKD5.76 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(e) During the year ended 31 December 2019, the Company issued 94,105,000 new ordinary shares at subscription price of HKD5.22 per share to two independent investors at a total consideration of RMB435,343,000. The subscription price represented a discount of approximately 4.22% to the closing price of HKD5.45 as quoted on the SEHK on 19 July 2019, being the date of subscription agreements. The shares rank pari passu with the then existing shares in issue in all respects.

38. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Colour Life's Scheme") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the Company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Persons to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the board of directors of the Company which shall not be later than the expiry day of the Colour Life's Scheme.

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38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2019, the total number of shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 84,473,000 (2018: 85,730,000) of HKD0.1 each, representing 5.9% (2018: 6.5%) of the issued share capital of the Company.

Details of the share options granted under the Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HKD6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	HKD4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	HKD6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	HKD4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029

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38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2019 and 2018:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019
Directors	29 September 2014	N/A	520,000	–	–	–	520,000	–	–	–	520,000
		29/9/2014 – 28/9/2015	1,064,000	–	–	(50,000)	1,014,000	–	–	–	1,014,000
		29/9/2014 – 28/9/2016	1,064,000	–	–	(50,000)	1,014,000	–	–	–	1,014,000
		29/9/2014 – 28/9/2017	548,000	–	–	(50,000)	498,000	–	–	–	498,000
	30 April 2015	30/4/2015 – 29/4/2016	436,000	–	(60,000)	–	376,000	–	–	–	376,000
		30/4/2015 – 29/4/2017	435,000	–	(60,000)	–	375,000	–	–	–	375,000
		30/4/2015 – 29/4/2018	435,000	–	(60,000)	–	375,000	–	–	–	375,000
	18 March 2016	18/3/2016 – 17/3/2017	427,000	–	(20,000)	(40,000)	367,000	–	–	–	367,000
		18/3/2016 – 17/3/2018	426,000	–	(20,000)	(40,000)	366,000	–	–	–	366,000
		18/3/2016 – 17/3/2019	426,000	–	(20,000)	(40,000)	366,000	–	–	–	366,000
	27 November 2018	27/11/2018 – 26/11/2019	–	934,000	–	–	934,000	–	–	–	934,000
		27/11/2018 – 26/11/2020	–	933,000	–	–	933,000	–	–	–	933,000
		27/11/2018 – 26/11/2021	–	933,000	–	–	933,000	–	–	–	933,000
			5,781,000	2,800,000	(240,000)	(270,000)	8,071,000	–	–	–	8,071,000
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,346,000	–	–	(1,203,000)	4,143,000	–	(56,000)	–	4,087,000
		29/9/2014 – 28/9/2015	11,078,000	–	–	(2,519,000)	8,559,000	–	(101,000)	–	8,458,000
		29/9/2014 – 28/9/2016	11,078,000	–	–	(2,519,000)	8,559,000	–	(101,000)	–	8,458,000
		29/9/2014 – 28/9/2017	5,611,000	–	–	(1,313,000)	4,298,000	–	(45,000)	–	4,253,000
	30 April 2015	30/4/2015 – 29/4/2016	5,733,000	–	–	–	5,733,000	–	(206,000)	–	5,527,000
		30/4/2015 – 29/4/2017	5,732,000	–	–	–	5,732,000	–	(206,000)	–	5,526,000
		30/4/2015 – 29/4/2018	5,732,000	–	–	–	5,732,000	–	(206,000)	–	5,526,000
	18 March 2016	18/3/2016 – 17/3/2017	8,196,000	–	(7,000)	(2,109,000)	6,080,000	–	(111,000)	(1,000)	5,968,000
		18/3/2016 – 17/3/2018	8,196,000	–	(7,000)	(2,109,000)	6,080,000	–	(111,000)	(1,000)	5,968,000
		18/3/2016 – 17/3/2019	8,195,000	–	(8,000)	(2,109,000)	6,078,000	–	(111,000)	(1,000)	5,966,000
	27 November 2018	27/11/2018 – 26/11/2019	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
		27/11/2018 – 26/11/2020	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
		27/11/2018 – 26/11/2021	–	5,555,000	–	–	5,555,000	–	–	–	5,555,000
			74,897,000	16,665,000	(22,000)	(13,881,000)	77,659,000	–	(1,254,000)	(3,000)	76,402,000
Total			80,678,000	19,465,000	(262,000)	(14,151,000)	85,730,000	–	(1,254,000)	(3,000)	84,473,000
Exercisable at the end of the year							59,821,000				65,008,000
Weighted average exercise price (HKD)							6.81				6.78
Weighted average exercise price at the date of exercise (HKD)						6.25				5.76	

Note: During the year ended 31 December 2019, 1,254,000 (2018: 262,000) share options to employees were lapsed.

38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option – Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	18 March 2016	30 April 2015	29 September 2014
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.11	HKD5.76	HKD11.00	HKD6.66
Expected volatility	50.79%	46.20%	46.26%	48.82%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	3.65%	1.55%	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB24,625,000 on 27 November 2018, respectively. The Group recognised the total expense of RMB13,567,000 (2018: RMB10,788,000) for the year ended 31 December 2019 in relation to share options granted by the Company.

(b) Fantasia Holdings

The share option scheme of Fantasia Holdings (the "Fantasia's Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on 28 August 2021 and 15 October 2022. Under the Fantasia's Scheme, the board of directors of Fantasia Holdings is authorised to grant options at a consideration of HKD1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Fantasia Holdings' Shares").

The maximum number of Fantasia Holdings' Shares which may be issued upon exercise of all options to be granted under the Fantasia's Scheme ("Fantasia's Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Fantasia's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings' share capital or with a value in excess of HKD5 million must be approved in advance by Fantasia Holdings' shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Fantasia's Scheme.

38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia Holdings on the offer date; (ii) the average of the closing price of Fantasia Holdings' Shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at 31 December 2019, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted to eligible directors and employees of the Company under the Fantasia's Scheme is 16,893,000 (2018: 17,190,000) of HKD0.1 each, representing 0.3% of the issued share capital of Fantasia Holdings.

Details of the share options granted under the Fantasia's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

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38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The following table discloses movements of Fantasia Holdings' share options held by employees and directors of the Group during the years ended 31 December 2019 and 2018:

Category grantees	Date of grant	Vesting period	Outstanding at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019
Directors	29 August 2011	29/8/2011 – 28/8/2012	634,000	–	–	–	634,000	–	–	–	634,000
		29/8/2011 – 28/8/2013	1,268,000	–	–	–	1,268,000	–	–	–	1,268,000
		29/8/2011 – 28/8/2014	4,438,000	–	–	–	4,438,000	–	–	–	4,438,000
	16 October 2012	16/10/2012 – 15/10/2013	861,000	–	–	–	861,000	–	–	(17,000)	844,000
		16/10/2012 – 15/10/2014	1,722,000	–	–	–	1,722,000	–	–	(33,000)	1,689,000
		16/10/2012 – 15/10/2015	6,027,000	–	–	–	6,027,000	–	–	(116,000)	5,911,000
			14,950,000	–	–	–	14,950,000	–	–	(166,000)	14,784,000
Employees	29 August 2011	29/8/2011 – 28/8/2012	112,000	–	–	–	112,000	–	–	(12,000)	100,000
		29/8/2011 – 28/8/2013	224,000	–	–	–	224,000	–	–	(22,000)	202,000
		29/8/2011 – 28/8/2014	784,000	–	–	–	784,000	–	–	(80,000)	704,000
	16 October 2012	16/10/2012 – 15/10/2013	112,000	–	–	–	112,000	–	–	(2,000)	110,000
		16/10/2012 – 15/10/2014	224,000	–	–	–	224,000	–	–	(3,000)	221,000
		16/10/2012 – 15/10/2015	784,000	–	–	–	784,000	–	–	(12,000)	772,000
			2,240,000	–	–	–	2,240,000	–	–	(131,000)	2,109,000
Total			17,190,000	–	–	–	17,190,000	–	–	(297,000)	16,893,000
Exercisable at the end of the year							17,190,000				16,893,000
Weighted average exercise price (HKD)							0.82				0.82
Weighted average exercise price at the date of exercise (HKD)										0.81	

Note: No expense for the years ended 31 December 2019 and 2018 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

39. 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 and consultants of the Group as incentives or rewards for their contribution to the Group by way of the Company's shares acquired by and held through an independent trustee appointed by the Company (the "Trustee") until fulfilment of special conditions before vesting.

Up to 31 December 2017, total of 1,766,000 Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB9,010,000 in aggregate.

During the year ended 31 December 2019, total of 2,038,000 (2018: 1,597,000) Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB7,647,000 (2018: RMB5,585,000).

39. SHARE AWARD SCHEME *(Continued)*

During the year ended 31 December 2019, 1,833,000 (2018: 1,766,000) shares held for the Share Award Scheme were awarded to eligible employees or consultants of the Group for their performance and contribution. The fair value of the awarded shares at the date of grant of RMB6,567,000 (2018: RMB5,909,000) were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB130,000 (2018: RMB3,101,000) was credited (2018: debited) to retained profits.

Up to 31 December 2019, total of 1,802,000 (2018: 1,597,000) Company's shares acquired have not been awarded to eligible employees or consultants.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debts, which includes borrowings as disclosed in note 33, corporate bonds as disclosed in note 35, asset-backed securities issued as disclosed in note 36, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties as disclosed in note 50(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, corporate bonds and asset-backed securities issued to ensure compliance with financial covenants.

The management of the Group review the capital structure periodically and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debts.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**4,842,417**	5,560,877
Equity instruments designated at FVTOCI	**121,735**	120,455
Financial assets at FVTPL	**3,000**	26,062
Financial liabilities		
Amortised cost	**3,916,748**	5,462,646

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41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures, equity instruments designated at FVTOCI, financial assets at FVTPL, pledged bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties, borrowings, corporate bonds and asset-backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has bank balances and bank borrowings which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting period are as follows:

	2019 RMB'000	2018 RMB'000
Assets		
HKD	**123,995**	49,988
Singapore Dollars ("SGD")	**361**	337
Liabilities		
USD	**655,763**	644,523
HKD	**134,367**	–

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD, SGD and USD against RMB.

The following table details the Group's sensitivity to a 10% increase and decrease in the RMB against the relevant foreign currencies. 10% is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and bank borrowings. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency sensitivity analysis

	2019 RMB'000	2018 RMB'000
HKD		
Increase (decrease) in profit for the year	**1,037**	(4,999)
SGD		
Decrease in profit for the year	**(36)**	(34)
USD		
Increase in profit for the year	**65,576**	64,452

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on pledged bank deposits, bank balances and variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark quoted by the leading banks for the borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, corporate bonds, asset-backed securities issued, lease liabilities, amount due from a fellow subsidiary, fixed-rate loan receivables and fixed-rate advances to staffs (see notes 33, 35, 36, 50(b), 25 and 24). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank balances and pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and pledged bank deposits at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2019 (2018: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit for the year would have increased/decreased by RMB3,630,000 (2018: RMB5,649,000).

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk *(Continued)*

Sensitivity analysis *(Continued)*

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2018: 50 basis points) increase or decrease for the year ended 31 December 2019 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 50 basis points (2018: 50 basis points) during the year and all other variables were held constant, the Group's profit for the year would have decreased/increased by RMB1,123,000 (2018: RMB1,484,000).

Credit risk and impairment assessment

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables with exposure spread over a number of customers.

Payments on behalf of residents and contract assets

In order to minimise the credit risk, the Group applies internal credit rating for its customers on payments on behalf of residents and contract assets on a timely basis and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on payments on behalf of residents and contract assets based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the payments on behalf of residents and contract assets with exposure spread over a number of counterparties. The payments on behalf of residents and contract assets from each counterparty contributed less than 10% of payments on behalf of residents and contract assets at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Other receivables, loan receivables and amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures and bank balances

The credit risk of other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures.

The credit-impaired loan receivables and amount due from a joint venture are assessed for ECL individually.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

In addition, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information, including historical experience and forward-looking information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Based on assessment under ECL model by the directors of the Company, the ECL on credit-impaired loan receivables and amount due from a joint venture for the year ended 31 December 2019 was RMB16,250,000 (2018: nil) and RMB8,606,000 (2018: nil) respectively. Details of the quantitative disclosures are set out below in this note.

For the remaining financial assets, the amount of the loss allowance at each reporting period was insignificant to the consolidated financial statements of the Group.

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41. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
Financial assets at amortised cost						
– Trade receivables	N/A	(i)	24	Life-time ECL (provision matrix)	378,681	428,833
				Life-time ECL (credit-impaired and provision matrix)	336,133	245,161
					714,814	673,994
– Payments on behalf of residents	N/A	(ii)	28	Life-time ECL (provision matrix)	736,584	638,840
				Life-time ECL (credit-impaired and provision matrix)	318,545	262,593
					1,055,129	901,433
– Loan receivables	N/A	(iii)	25	12m ECL	193,224	247,211
				Life-time ECL (credit-impaired)	32,500	–
					225,724	247,211
– Non-current amount due from a joint venture	N/A	(iv)	50(b)	Life-time ECL (credit-impaired)	81,505	–
				12m ECL	–	81,505
					81,505	81,505
– Other receivables, current amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures	N/A	(v)	24/50(b)	12m ECL	1,057,461	810,912
– Pledged bank balances and bank balances	AAA	N/A	30	12m ECL	1,934,516	3,008,267
Contract assets	N/A	(iv)	23	Life-time ECL (provision matrix)	69,422	81,249
				Life-time ECL (credit-impaired and provision matrix)	1,100	692
					70,522	81,941

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for trade receivables based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2019 and 2018.

		2019			2018		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0 – 30 days	Not credit-impaired	**0.5%**	**213,655**	**1,068**	0.5%	257,291	1,287
31 – 90 days	Not credit-impaired	**2.0%**	**165,026**	**3,301**	2.0%	171,542	3,431
91 – 180 days	Credit-impaired	**6.0%**	**149,192**	**8,952**	6.0%	129,512	7,771
181 – 365 days	Credit-impaired	**12.0%**	**123,863**	**14,864**	12.0%	61,353	7,362
1 – 2 years	Credit-impaired	**35.0%**	**53,374**	**18,681**	35.0%	45,943	16,080
Over 2 years	Credit-impaired	**100.0%**	**9,704**	**9,704**	100.0%	8,353	8,353
			714,814	**56,570**		673,994	44,284

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations. The amounts are credit-impaired and there is no realistic prospect of recovery.
Type II	Communities to which the Group provides the pre-delivery property management services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual residents and there is lower risk of default.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(ii) Payments on behalf of residents *(Continued)*

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix as at 31 December 2019 and 2018.

		2019			2018		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	**95.0%**	**94,976**	**90,227**	95.0%	80,116	76,110
Type II	Not credit-impaired	**5.0%**	**108,918**	**5,446**	5.0%	95,554	4,778
Type III	Not credit-impaired	**1.0%**	**627,666**	**6,277**	1.0%	543,286	5,433
Type IV	Credit-impaired	**20.0%**	**223,569**	**44,714**	20.0%	182,477	36,495
			1,055,129	**146,664**		901,433	122,816

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(iii) Loan receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

Included in loan receivables, the principal amount of RMB32,500,000 are past due. During the year ended 31 December 2019, the Group entered into a series of agreement with the borrower, the individual shareholder of the borrower and an independent investor, in relation to debt and equity transfer arrangement. Under the arrangement, the independent investor is to acquire the equity interests of the borrower from the individual shareholder and the consideration of RMB35,000,000 is to be transferred to the Group directly for settlement of the loan receivables. However, the aforesaid transaction is not completed and the loan receivable is past due. The Group has initialated a legal proceeding in Shenzhen Longhua District People's Court (the "Relevant Court") regarding the debt transfer contract. The Relevant Court has made a notice to seize the equity interests of three subsidiaries of the borrower to secure the payment of the principal amount to the Group. The alleged value of the seized equity interests is RMB35,266,000. Up to 31 December 2019, the legal proceeding has not been completed. In the opinion of the directors of the Company, the risk of default by these counterparties is significantly increased and the Group provided RMB16,250,000 (2018: nil) allowance for credit losses during the year ended 31 December 2019.

The remaining balances of loan receivables amounting to RMB193,224,000 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 the Group assessed that the ECL on these balances are insignificant.

(iv) Non-current amount due from a joint venture

During the year ended 31 December 2018, the Group entered into a cooperative agreement with three independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the formation establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture. The gross amount due from a joint venture of RMB81,505,000 as at 31 December 2018 and 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 since the incorporation of the joint venture.

During the year ended 31 December 2019, the joint venture suffered losses in the sub-leasing business and is in financial difficulty. In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group provided RMB8,606,000 (2018: nil) allowance for credit losses during the year ended 31 December 2019.

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(v) Other receivables, current amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of other receivables, current 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 the Group assessed that the ECL on these balances are insignificant.

(vi) Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflect their credit risk.

Category	Group definition of category
Type I	Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.
Type II	Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.
Type III	Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed collectively based on provision matrix as at 31 December 2019 and 2018.

		2019			2018		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Not credit-impaired	**2.0%**	**56,218**	**1,124**	2.0%	78,128	1,563
Type II	Not credit-impaired	**5.0%**	**13,204**	**660**	5.0%	3,121	156
Type III	Credit-impaired	**95.0%**	**1,100**	**1,045**	95.0%	692	657
			70,522	**2,829**		81,941	2,376

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, corporate bonds and asset-backed securities issued and ensures compliance with relative covenants.

The Group relies on borrowings, corporate bonds and asset-backed securities issued as a significant source of liquidity.

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41. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 3 month	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019							
Trade and other payables	–	766,433	–	–	–	766,433	766,433
Receipts on behalf of residents	–	403,862	–	–	–	403,862	403,862
Amounts due to fellow subsidiaries							
– interest-bearing	17.72	382	1,146	610	–	2,138	1,708
– interest-free	–	338,393	–	–	–	338,393	338,393
Amounts due to non-controlling shareholders of the subsidiaries	–	57,647	–	–	–	57,647	57,647
Amounts due to associates	–	9,744	–	–	–	9,744	9,744
Amounts due to joint ventures	–	36,234	–	–	–	36,234	36,234
Amounts due to related parties	–	8,113	–	–	–	8,113	8,113
Lease liabilities	8.9	678	2,033	9,675	8,303	20,689	13,643
Borrowings							
- variable-rates	4.24	28,020	189,628	90,945	–	308,593	299,502
- fixed-rates	7.71	94,310	621,914	1,301,381	–	2,017,605	1,740,778
Corporate bonds	7.0	–	160,500	–	–	160,500	149,786
Asset-backed securities issued	6.45	64,813	26,273	20,170	–	111,256	104,548
		1,808,629	1,001,494	1,422,781	8,303	4,241,207	3,930,391
As at 31 December 2018							
Trade and other payables	–	874,113	–	–	–	874,113	874,113
Receipts on behalf of residents	–	406,676	–	–	–	406,676	406,676
Amounts due to fellow subsidiaries							
– interest-bearing	17.72	382	1,146	2,139	–	3,667	2,864
– interest-free	–	448,649	–	–	–	448,649	448,649
Amounts due to non-controlling shareholders of the subsidiaries	–	38,561	–	–	–	38,561	38,561
Amounts due to associates	–	19,971	–	–	–	19,971	19,971
Amounts due to joint ventures	–	367	–	–	–	367	367
Amounts due to related parties	–	11,769	–	–	–	11,769	11,769
Borrowings							
– variable-rates	3.37	208,272	96,800	111,464	–	416,536	395,764
– fixed-rates	7.75	905,930	263,726	1,989,241	–	3,158,897	2,687,992
Corporate bonds	6.9	106,700	136,793	160,500	–	403,993	315,501
Asset-backed securities issued	6.39	36,747	71,550	183,046	–	291,343	260,419
		3,058,137	570,015	2,446,390	–	6,074,542	5,462,646

41. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes is variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

(c) Fair value

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

	Fair value as at 31 December		**Fair value hierarchy as at 31 December**	
	2019 RMB'000	2018 RMB'000	**2019**	2018
Financial assets at FVTPL	**3,000**	26,062	**Level 3**	Level 2
Equity instruments designated at FVTOCI	**121,735**	120,455	**Level 3**	Level 3

As at 31 December 2018, the fair value of financial assets at FVTPL, being the money market funds investment, is estimated by an independent valuer through application of market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2019, the fair value of financial assets at FVTPL, being a convertible bond, is estimated by an independent valuer through application of market approach. The key unobservable input of the valuation is the estimated price from the recent transactions of the companies engaging in similar business and expected future financial performance.

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For the year ended 31 December 2019

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2019 and 2018, the fair value of equity instruments designated at FVTOCI is estimated by an independent valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

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 consolidated financial statements approximate their fair values, except for the following financial liabilities, for which their carrying amounts and fair values are disclosed as follows:

	Fair value hierarchy	2019 Carrying amount RMB'000	2019 Fair value RMB'000	2018 Carrying amount RMB'000	2018 Fair value RMB'000
Unlisted corporate bonds	Level 3	**149,786**	**152,666**	315,501	319,073
Asset-backed securities issued	Level 3	**104,548**	**108,022**	260,419	268,483

42. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2019

Name of subsidiaries acquired	Consideration RMB'000	Acquisition date	Equity interest acquired	Principal activities
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")	97,920	31 March 2019	51%	Provision of property management services
深圳市閑閑科技有限公司 Shenzhen Xianxian Technology Co., Ltd. ("Shenzhen Xianxian")	1,808	31 March 2019	72%	Provision of value-added services
泰安市好生活物業管理有限公司 Taian Good Living Property Management Co., Ltd. ("Taian Good Living")	1,700	30 September 2019	60%	Provision of property management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

During the year ended 31 December 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.

Total consideration transferred

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Cash	23,618	988	24,606
Deposits paid in prior years	59,168	1,500	60,668
Consideration payables due within one year included in trade and other payables	15,134	1,020	16,154
	97,920	3,508	101,428

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

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

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Property, plant and equipment	383	15	398
Interest in an associate	842	–	842
Intangible assets	82,400	1,472	83,872
Trade receivables	6,639	2,386	9,025
Other receivables and prepayments	5,454	494	5,948
Bank balances and cash	31,235	325	31,560
Contract liabilities	(18,644)	–	(18,644)
Trade payables	(4,702)	–	(4,702)
Other payables and accruals	(12,049)	(3,039)	(15,088)
Receipts on behalf of residents	(5,820)	–	(5,820)
Amounts due to non-controlling shareholders of the subsidiaries	(3,315)	–	(3,315)
Amount due to an associate	(23)	–	(23)
Tax liabilities	–	(30)	(30)
Deferred tax liabilities	(20,600)	(368)	(20,968)
	61,800	1,255	63,055

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

The trade receivables and other receivables acquired with a fair value of RMB14,973,000 as at the date of acquisitions during the year ended 31 December 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 acquisitions

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Consideration transferred	**97,920**	**3,508**	**101,428**
Add: Non-controlling interests	**30,282**	**543**	**30,825**
Less: Fair value of net identifiable assets acquired	**(61,800)**	**(1,255)**	**(63,055)**
	66,402	**2,796**	**69,198**

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 the year ended 31 December 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 RMB83,872,000 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.

Net cash inflows arising on acquisitions

	RMB'000
Cash consideration paid	(24,606)
Less: bank balances and cash acquired	31,560
	6,954

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018

Name of subsidiaries acquired	Consideration	Acquisition date	Equity interest acquired	Principal activities
	RMB'000			
泗陽嘉華物業管理有限公司 Siyang Jiahua Property Management Co., Ltd.	2,580	31 March 2018	80%	Provision of property management services
江蘇志遠物業服務有限公司 Jiangsu Zhiyuan Property Services Co., Ltd.	3,009	31 March 2018	85%	Provision of property management services
杭州卓盛物業管理有限公司 Hangzhou Zhuosheng Property Management Co., Ltd.	33,988	31 December 2018	80%	Provision of property management services
柳州市中實物業服務有限責任公司 Liuzhou Zhongshi Property Services Co., Ltd.	11,000	31 December 2018	90%	Provision of property management services
宿遷中尚物業管理有限公司 Suqian Zhongshang Property Management Co., Ltd.	1,300	31 December 2018	90%	Provision of property management services

During the year ended 31 December 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.

Total consideration transferred

	RMB'000
Cash	130
Deposits paid in prior years	51,747
	51,877

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

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

Assets accrued and liabilities recognised at the dates of acquisition were as follows:

	RMB'000
Property, plant and equipment	2,100
Intangible assets	8,920
Trade receivables	35,244
Other receivables and prepayments	10,626
Payments on behalf of residents	14,488
Bank balances and cash	8,474
Trade payables	(25,487)
Other payables and accruals	(20,394)
Contract liabilities	(12,380)
Receipts on behalf of residents	(7,314)
Amounts due to certain subsidiaries of the Company	(1,760)
Amounts due to non-controlling shareholders of the subsidiaries	(4,243)
Tax liabilities	(756)
Deferred tax liabilities	(2,230)
	5,288

The trade receivables, other receivables and prepayments (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries) and payments on behalf of residents acquired with a fair value of RMB60,358,000 as at the date of acquisitions during the year ended 31 December 2018, were 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 was estimated by an independent valuer through application of income approach. This approach estimated 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 were in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	RMB'000
Consideration transferred	51,877
Add: Non-controlling interests	207
Less: Fair value of net identifiable assets acquired	(5,288)
	46,796

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

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 the year ended 31 December 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.

Intangible assets of RMB8,920,000 in relation to the acquisition of subsidiaries under property management services had been recognised by the Group.

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

Net cash inflows arising on acquisitions

	RMB'000
Cash consideration paid	(130)
Less: bank balances and cash acquired	8,474
	8,344

43. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

In December 2018, the Group disposed of its entire equity interests in Foshan Colour Life Property Management Co., Ltd. (佛山市彩生活物業管理有限公司) to an independent third party for a consideration of RMB60,000,000. Foshan Colour Life is engaged in provision of property management services in the PRC.

In December 2018, the Group disposed of its entire equity interests in Heyuan Colour Life Property Management Co., Ltd. (河源彩生活物業管理有限公司) to an independent third party for a consideration of RMB22,000,000. Heyuan Colour Life is engaged in provision of property management services in the PRC.

In December 2018, the Group disposed of its entire equity interests in Changsha Xiangwang Property Management Co., Ltd. (長沙祥旺物業管理有限公司) to an independent third party for a consideration of RMB500,000. Changsha Xiangwang is engaged in provision of property management services in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2018 *(Continued)*

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Goodwill	6,831
Trade receivables	979
Other receivables and prepayments	3,347
Payments on behalf of residents	12,616
Amounts due from certain subsidiaries	18,756
Bank balances and cash	2,961
Trade payables	(605)
Other payables and accruals	(2,464)
Receipts on behalf of residents	(16,656)
Amounts due to certain subsidiaries	(1,332)
Tax liabilities	(1,492)
Net assets disposed of	22,941
Gain on disposal of subsidiaries:	
Consideration	82,500
Less: net assets disposed of	(22,941)
	59,559
Net cash inflow arising on disposal:	
Cash consideration received	50,500
Bank balances and cash disposed of	(2,961)
	47,539

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease liabilities	Corporate bonds	Assets backed securities issued	Amounts due to fellow subsidiaries (non-trade nature)	Amounts due to non-controlling shareholders of the subsidiaries (non-trade nature)	Amounts due to associates (non-trade nature)	Amounts due to joint ventures (non-trade nature)	Amounts due to related parties (non-trade nature)	Dividend payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 33)	(note 34)	(note 35)	(note 36)	(note 50(b))	(note 50(b))	(note 50(b))	(note 50(b))	(note 50(b))		
At 1 January 2019	3,083,756	12,370	315,501	260,419	451,513	38,561	19,971	367	11,769	–	4,194,227
Financing cash flows	(1,220,003)	(2,600)	(182,000)	(181,632)	(111,838)	15,771	(10,250)	35,867	(3,656)	(241,172)	(1,901,513)
Finance costs incurred	162,869	1,270	16,285	20,861	426	–	–	–	–	–	201,711
Foreign exchange translation	13,658	–	–	–	–	–	–	–	–	–	13,658
Acquisition of subsidiaries	–	–	–	–	–	3,315	23	–	–	–	3,338
Dividends declared	–	–	–	–	–	–	–	–	–	241,172	241,172
Loss on modification of asset-backed securities issued	–	–	–	1,380	–	–	–	–	–	–	1,380
Loss on repurchase of asset-backed securities issued	–	–	–	3,520	–	–	–	–	–	–	3,520
Inception of leases	–	2,603	–	–	–	–	–	–	–	–	2,603
At 31 December 2019	2,040,280	13,643	149,786	104,548	340,101	57,647	9,744	36,234	8,113	–	2,760,096
At 1 January 2018	2,069,200	–	552,602	227,737	5,850	16,472	13,513	7,153	–	–	2,892,527
Financing cash flows	732,046	–	(278,200)	10,599	(569,158)	17,846	6,458	(6,786)	11,769	(188,895)	(264,321)
Finance costs incurred	238,383	–	37,959	22,083	647	–	–	–	–	–	299,072
Foreign exchange translation	44,127	–	–	–	–	–	–	–	–	–	44,127
Acquisition of subsidiaries	–	–	–	–	–	4,243	–	–	–	–	4,243
Business combination under common control	–	–	–	–	1,014,174	–	–	–	–	–	1,014,174
Dividends declared	–	–	–	–	–	–	–	–	–	188,895	188,895
Loss on modification of corporate bonds	–	–	628	–	–	–	–	–	–	–	628
Loss on redemption of corporate bonds	–	–	2,512	–	–	–	–	–	–	–	2,512
At 31 December 2018	3,083,756	–	315,501	260,419	451,513	38,561	19,971	367	11,769	–	4,181,857

45. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2019 and 2018, pursuant to the agreements entered into with independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group.

During the years ended 31 December 2019, the carrying amounts of trade receivables of RMB38,173,000 (2018: RMB60,271,000) were settled by the customers by transfer of investment properties to the Group.

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46. OPERATING LEASES

The Group as lessee

	31 December 2018 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	4,160

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018 RMB'000
Within one year	3,190
In the second to the fifth year inclusive	8,493
After five years	11,541
	23,224

As at 31 December 2018, operating lease payments represented rentals payable by the Group for certain offices premises and commercial properties. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next one year.

Minimum lease payments receivable on leases are as follows:

	31 December 2019 RMB'000
Within one year	**150**

Effective 1 January 2019, upon application of HKFRS 16, the equipment leasing contracts are accounting for as contracts with customers under HKFRS 15, and thus no commitment regarding the equipment leasing contracts were included in the minimum lease payments receivable on leases as at 31 December 2019.

46. OPERATING LEASES *(Continued)*

The Group as lessor *(Continued)*

The Group had contracted with tenants for the following future minimum lease payments:

	31 December 2018 RMB'000
Within one year	38,489
In the second to the fifth year inclusive	42,563
After the fifth year	839
	81,891

47. CAPITAL AND OTHER COMMITMENTS

	2019 RMB'000	2018 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**34,302**	61,106
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**26,672**	29,203

48. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised to the consolidated statement of profit or loss and other comprehensive income of RMB162,866,000 (2018: RMB133,449,000) respectively, represented contributions to the scheme.

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	**2019**	2018		
Directly held						
Tong Yuan Holdings Limited	BVI	828,880	**100%**	100%	Investment holding	Limited liability company
Indirectly held:						
Shenzhen Colour Life	PRC	100,000	**100%**	100%	Investment holding	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	90,000	**100%**	100%	Provision of value-added services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	5,000	**100%**	100%	Provision of engineering services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	35,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	PRC	50,000	**100%**	100%	Provision of property management services	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	PRC	10,000	**87%**	87%	Provision of property management services	Limited liability company
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	10,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua")	PRC	1,000	**51%**	51%	Provision of engineering services	Limited liability company
上海同涞物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd.	PRC	5,000	**100%**	100%	Provision of property management services	Limited liability company
杭州卓盛物業管理有限公司^ Hangzhou Zhuosheng Property Management Co., Ltd.	PRC	5,000	**80%**	80%	Provision of property management services	Limited liability company

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) Material subsidiaries of the Company *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	**2019**	2018		
Shenzhen Wanxiang △	PRC	982,000	**100%**	100%	Investment holding	Limited liability company
Wanxiangmei △	PRC	50,000	**100%**	100%	Provision of property management services	Limited liability company
Beijing Darwin^	PRC	5,000	**51%**	N/A	Provision of property management services	Limited liability company
Shenzhen Xianxian^	PRC	3,797	**72%**	N/A	Provision of value-added services	Limited liability company
Taian Good Living^	PRC	– (note)	**60%**	N/A	Provision of value-added services	Limited liability company

Note: The registered capital is less than RMB1,000.

^ These subsidiaries were acquired during the year ended 31 December 2019 and 2018. Details are set out in note 42.

△ These subsidiaries were acquired under common control during the year ended 31 December 2018.

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

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

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2019	2018
Investment holding	Cayman Islands	**2**	2
	BVI	**5**	5
	Hong Kong	**3**	3
	PRC	**11**	4
Provision of property management services	PRC	**135**	120
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of value-added services	PRC	**48**	41
Provision of engineering services	PRC	**2**	2
		208	179

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

The table below show details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Shenzhen Ancaihua	PRC	**49%**	49%	**16,757**	16,704	**41,101**	30,432
Beijing Darwin	PRC	**49%**	N/A	**6,407**	N/A	**27,868**	N/A
				23,164	16,704	**68,969**	30,432
Individually immaterial subsidiaries with non-controlling interests				**13,957**	16,302	**112,848**	90,239
				37,121	33,006	**181,817**	120,671

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represented amounts before intergroup eliminations.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

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

	Shenzhen Ancaihua		Beijing Darwin	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**125,533**	94,519	**38,685**	N/A
Non-current assets	**34,619**	33,299	**79,704**	N/A
Current liabilities	**67,852**	62,593	**41,945**	N/A
Non-current liabilities	**8,420**	3,118	**19,570**	N/A
Equity attributable to owners of the Company	**42,779**	31,675	**29,006**	N/A
Non-controlling interests	**41,101**	30,432	**27,868**	N/A
Revenue	**61,222**	67,282	**107,469**	N/A
Expenses	**(27,024)**	(33,192)	**(94,393)**	N/A
Profit for the year	**34,198**	34,090	**13,076**	N/A
Profit attributable to the owners of the Company	**17,441**	17,386	**6,669**	N/A
Profit attributable to the non-controlling interests	**16,757**	16,704	**6,407**	N/A
Dividends paid to owners of the Company	**6,337**	8,585	**9,181**	N/A
Dividends paid to the non-controlling shareholder	**6,088**	8,249	**8,821**	N/A
Net cash (outflow) inflow from operating activities	**(4,386)**	48,108	**18,635**	N/A
Net cash outflow from investing activities	**(2,604)**	–	**(222)**	N/A
Net cash outflow from financing activities	**(12,425)**	(14,279)	**(18,002)**	N/A
Net cash (outflow) inflow	**(19,415)**	33,829	**411**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

50. RELATED PARTY DISCLOSURES

(a) Related parties transactions

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

	2019 RMB'000	2018 RMB'000
Pre-delivery services income		
Fellow subsidiaries	**23,716**	6,214
Consultancy services income		
Related parties	**8,841**	4,247
Online promotion services income		
Entities controlled by Mr. Pan Jun, a director of the Company	**72,331**	40,409
Shenzhen Yixuan, a joint venture of the Group	**11,295**	11,774
An associate	**239**	237
Other value-added service fees		
Fellow subsidiaries	**5**	279
Equipment installation services income		
Fellow subsidiaries	**14,973**	11,540
Related parties	**1,200**	–
Associates	**99**	231
Interest expenses		
A fellow subsidiary	**426**	647
Interest income		
Mr. Tang Xuebin, a director of the Company (note)	**–**	11

Note: The Group granted housing loan to Mr. Tang Xuebin, a director of the Company, for his purchases of own properties. The housing loan bears interest of 5.4% per annum. The loan has been fully settled during the year ended 31 December 2018.

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

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

	2019 **RMB'000**	2018 RMB'000
Amounts due from fellow subsidiaries		
Non-trade nature	**177,029**	150,118
Trade nature	**11,996**	22,181
	189,025	172,299

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

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

	2019 **RMB'000**	2018 RMB'000
0 to 30 days	**1,235**	2,012
31 to 90 days	**2,048**	2,559
91 to 180 days	**2,041**	4,412
181 to 365 days	**4,798**	8,825
Over 1 year	**1,874**	4,373
	11,996	22,181

As at 1 January 2018, trade receivables from fellow subsidiaries arising from contracts with customers net of allowance for credit losses amounted to RMB59,036,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB8,713,000 (2018: RMB17,610,000) which are past due 90 days or more and not considered as in default, as the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

	2019 RMB'000	2018 RMB'000
Amounts due from non-controlling shareholders of the subsidiaries		
Non-trade nature	**94,956**	119,230
Amounts due from associates		
Non-trade nature	**19,275**	15,905
Amounts due from joint ventures		
Non-trade nature		
– Non-current	**72,899**	81,505
– Current	**196,661**	24,447
	269,560	105,952

The non-current amount due from a joint venture of RMB72,899,000 (2018: RMB81,505,000), after net off the allowance for credit losses of RMB8,606,000 (2018: nil) as at 31 December 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.

	2019 RMB'000	2018 RMB'000
Amounts due from related parties		
Non-trade nature	**9,714**	15,072
Trade nature	**54,597**	1,000
	64,311	16,072

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(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:

	2019	2018
	RMB'000	RMB'000
0 to 30 days	**15,665**	1,000
31 to 90 days	**22,278**	–
91 to 180 days	**16,654**	–
	54,597	1,000

As at 1 January 2018, trade receivables from related parties arising from contracts with customers net of allowance for credit losses amounted to RMB1,000,000.

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

Details of impairment assessment of amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties are set out in note 41(b).

	2019	2018
	RMB'000	RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**340,101**	451,513
Trade nature	**1,834**	8,075
	341,935	459,588
Classified as:		
Non-current liabilities	**126**	1,282
Current liabilities	**341,809**	458,306
	341,935	459,588

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

As at 1 January 2018, contract liabilities with fellow subsidiaries amounted to RMB9,161,000.

Revenue from pre-delivery services and equipment installation services during the year ended 31 December 2018 that was included in the contract liabilities balance at the beginning of the year was RMB9,161,000.

Revenue from pre-delivery services and equipment installation services during the year ended 31 December 2019 that was included in the contract liabilities balance at the beginning of the year was RMB8,075,000.

Included in the non-trade balances due to fellow subsidiaries, the amount of RMB1,708,000 (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 Group. Based on the terms of the agreement, the amount of RMB1,582,000 (2018: RMB1,582,000) due in one year is classified as current liability and the amount of RMB126,000 (2018: RMB1,282,000) due after one year is classified as non-current liability.

	2019 RMB'000	2018 RMB'000
Amounts due to non-controlling shareholders of the subsidiaries		
Non-trade nature	**57,647**	38,561
Amounts due to associates		
Non-trade nature	**9,744**	19,971
Amounts due to joint ventures		
Non-trade nature	**36,234**	367
Amounts due to related parties		
Non-trade nature	**8,113**	11,769

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

50. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**10,343**	12,857
Post-employment benefits	**366**	458
Share-based payment expenses	**3,471**	2,180
	14,180	15,495

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

(d) Others

As at year end 31 December 2019, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB60,799,000 (2018: RMB191,033,000) in aggregate.

51. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Pledged bank deposits (note 30)	**214,646**	346,000
Trade receivables	**28,944**	27,447
	243,590	373,447

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2019 RMB'000	2018 RMB'000
Non-Current Assets		
Investments in subsidiaries	**368,149**	226,833
Amounts due from subsidiaries	**2,477,017**	2,097,568
	2,845,166	2,324,401
Current Assets		
Other receivables and prepayments	**1,782**	2,343
Amount due from a related party	**1**	1
Pledged bank deposits	**94,588**	–
Bank balances and cash	**19,183**	37,649
	115,554	39,993
Current Liabilities		
Other payables	**25,662**	16,113
Amounts due to subsidiaries	**162,273**	2,753
Borrowing due within one year	**134,367**	–
	322,302	18,866
Net Current Liabilities	**(206,748)**	21,127
Total Assets Less Current Liabilities	**2,638,418**	2,345,528
Non-current Liability		
Borrowing due after one year	**655,763**	644,523
Net Assets	**1,982,655**	1,701,005
Capital and Reserves		
Share capital	**115,134**	106,800
Reserves	**1,867,521**	1,594,205
Total Equity	**1,982,655**	1,701,005

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

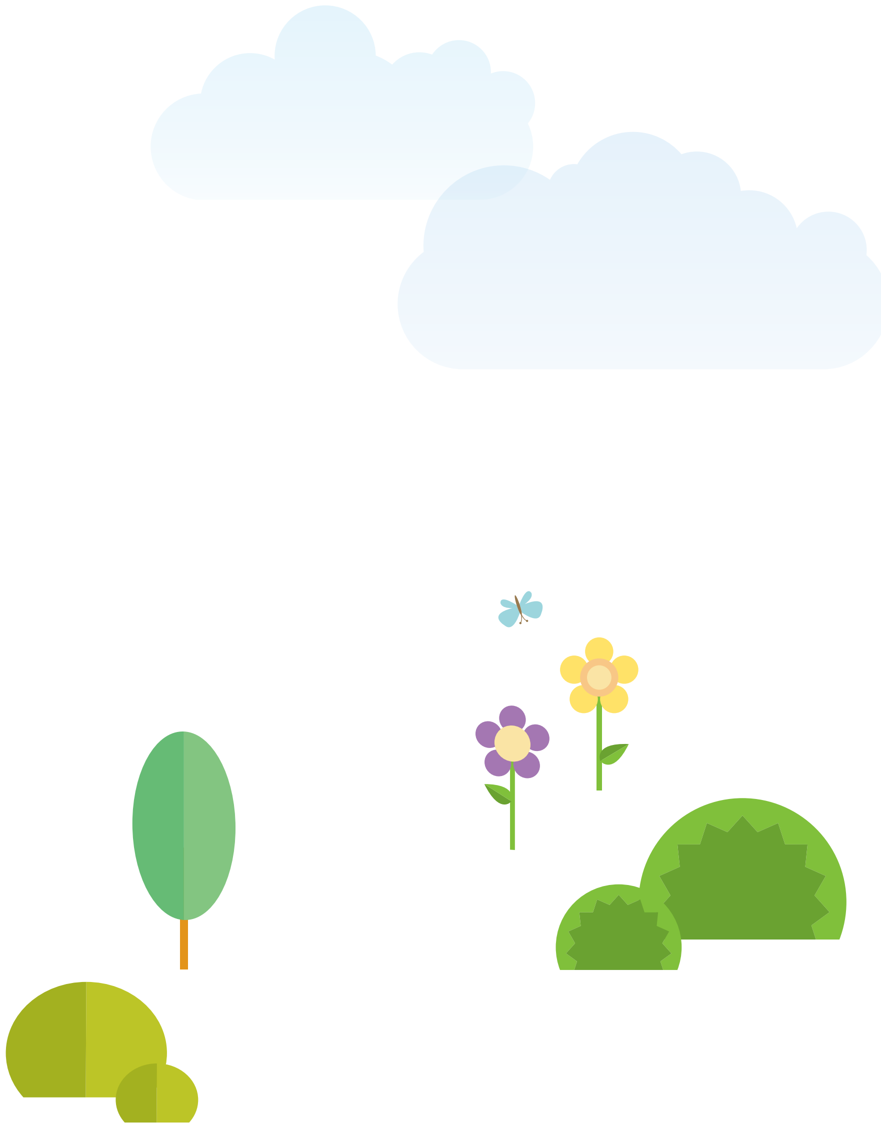
(Continued)

Movement in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	414,695	242,458	(9,010)	(224,992)	423,151
Profit and total comprehensive income for the year	–	–	–	18,643	18,643
Issue of shares and cash consideration upon combination of entities under common control	887,650	–	–	–	887,650
Issue of new shares	345,230	–	–	–	345,230
Issue of shares upon exercise of share options	107,787	(33,131)	-	–	74,656
Dividend paid to shareholders	(166,237)	–	–	–	(166,237)
Shares repurchased for share award scheme	–	–	(5,585)	–	(5,585)
Recognition of equity-settled share-based payment	–	10,788	9,010	(3,101)	16,697
At 31 December 2018	1,589,125	220,115	(5,585)	(209,450)	1,594,205
Profit and total comprehensive income for the year	–	–	–	44,180	44,180
Issue of new shares	427,009	–	–	–	427,009
Issue of shares upon exercise of share options	21	(6)	–	–	15
Dividend paid to shareholders	(210,375)	–	–	–	(210,375)
Shares repurchased for share award scheme	–	–	(7,647)	–	(7,647)
Recognition of equity-settled share-based payment	–	13,576	6,437	130	20,134
At 31 December 2019	1,805,780	233,676	(6,795)	(165,140)	1,867,521

53. EVENTS AFTER THE REPORTING PERIOD

After the 2019 Novel Coronavirus ("COVID-19") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented in the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date these financial statements were authorised for issue, the Group was not aware of any material adverse effects on these financial statements as a result of the COVID-19 outbreak.



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