Colour Life Services Group Co., Limited
彩生活服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1778)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

— The Group's total revenue increased by 62.2% to RMB1,342.1 million in 2016 from RMB827.6 million in 2015.

— The Group's gross profit increased by 28.9% to RMB585.8 million in 2016 from RMB454.5 million in 2015. Gross profit margin decreased by 11.3 percentage points to 43.6% in 2016 from 54.9% in 2015.

— The Group's profit increased by 18.2% to RMB216.0 million in 2016 from RMB182.7 million in 2015, while the adjusted profit increased by 13.2% to RMB354.8 million in 2016 from RMB313.5 million in 2015.

— Basic earnings per share increased by 11.5% to RMB18.78 cents in 2016 from RMB16.84 cents in 2015.

— Net cash from operating activities increased by 34.8% to RMB321.8 million in 2016 from RMB238.7 million in 2015.

— As at 31 December 2016, the Group's total bank balances and cash was approximately RMB754.8 million (2015: approximately RMB419.5 million), representing an increase of 79.9% as compared to that as at 31 December 2015.

— The Board proposed the payment of a final dividend of HK10.00 cents per share, representing about 50% dividend payout ratio, for the year ended 31 December 2016.

— As at 31 December 2016, the Group's contracted GFA increased by 22.7% from 322.1 million sq.m. to 395.1 million sq.m. as compared to that as at 31 December 2015.

The board (the "Board") of directors (the "Directors") of Colour Life Services Group Co., Limited 彩生活服務集團有限公司 (the "Company" or "Colour Life") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**1,342,069**	827,645
Cost of sales and services		**(756,280)**	(373,189)
Gross profit		**585,789**	454,456
Other gains and losses	*4*	**(30,868)**	(26,822)
Other income	*4*	**19,562**	13,765
Selling and distribution expenses		**(13,477)**	(16,322)
Administrative expenses		**(297,505)**	(216,870)
Expenses recharged to residential communities under commission basis		**66,255**	47,182
Finance costs	*5*	**(38,004)**	(11,082)
Change in fair value of investment properties		**5,503**	6,987
Share of results of associates		**796**	627
Share of result of a joint venture		**(258)**	162
Profit before tax		**297,793**	252,083
Income tax expense	*6*	**(81,782)**	(69,428)
Profit for the year	*7*	**216,011**	182,655
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**23,103**	–
Deferred taxation effect on change in fair value of available-for-sale investments		**(5,776)**	–
Other comprehensive income for the year, net of income tax		**17,327**	–
Profit and total comprehensive income for the year		**233,338**	182,655

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **RMB'000**	2015 *RMB'000*
Profit for the year attributable to:			
— Owners of the Company		**187,785**	168,438
— Non-controlling interests		**28,226**	14,217
		216,011	182,655
Profit and total comprehensive income attributable to:			
— Owners of the Company		**205,112**	168,438
— Non-controlling interests		**28,226**	14,217
		233,338	182,655
Earnings per share (RMB cents)	*9*		
— Basic		**18.78**	16.84
— Diluted		**18.78**	16.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**180,757**	167,099
Investment properties		**92,528**	88,804
Interests in associates		**7,728**	6,332
Interest in a joint venture		**850**	1,108
Available-for-sale investments		**133,303**	–
Intangible assets		**210,303**	152,033
Goodwill		**749,580**	575,634
Trade receivables	*10*	**8,247**	7,199
Other receivables and prepayments		**7,489**	5,964
Loan receivables		**9,750**	–
Deferred tax assets		**26,506**	19,722
Amount due from a director		**343**	–
Deposits paid for potential acquisitions of subsidiaries		**142,537**	106,736
		1,569,921	1,130,631
Current assets			
Inventories		**2,486**	2,106
Amounts due from customers for contract works		**41,018**	34,328
Trade receivables	*10*	**270,525**	179,350
Other receivables and prepayments		**196,027**	111,751
Loan receivables		**217,500**	–
Payments on behalf of residents		**259,802**	169,626
Amounts due from fellow subsidiaries		**34,550**	46,548
Amounts due from non-controlling shareholders of the subsidiaries		**82,330**	46,422
Amounts due from related parties		**16,168**	7,228
Amount due from an associate		**1,434**	1,105
Amount due from a director		**60**	–
Financial assets designated as at fair value through profit or loss ("FVTPL")		**83,275**	19,200
Pledged bank deposits		**492,675**	551,383
Bank balances and cash		**754,837**	419,478
		2,452,687	1,588,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Current liabilities			
Amounts due to customers for contract works		**16,746**	17,141
Trade payables	*11*	**113,991**	80,231
Other payables and accruals		**596,177**	421,177
Receipts on behalf of residents		**156,442**	104,033
Amounts due to fellow subsidiaries		**7,442**	4,734
Amounts due to non-controlling shareholders of the subsidiaries		**32,886**	30,125
Amount due to an associate		**7,564**	5,040
Amount due to a joint venture		**326**	94
Tax liabilities		**136,799**	108,010
Borrowings due within one year		**161,506**	302,990
Corporate bonds due within one year		**14,436**	–
Assets backed securities issued due within one year		**37,642**	–
		1,281,957	1,073,575
Net current assets		**1,170,730**	514,950
Total assets less current liabilities		**2,740,651**	1,645,581
Non-current liabilities			
Deferred tax liabilities		**73,941**	54,033
Amount due to a fellow subsidiary		**9,859**	–
Amount due to a non-controlling shareholder of a subsidiary		**–**	816
Borrowings due after one year		**498,788**	290,000
Corporate bonds due after one year		**388,149**	–
Assets backed securities issued due after one year		**237,442**	–
Total non-current liabilities		**1,208,179**	344,849
Net assets		**1,532,472**	1,300,732
Capital and reserves			
Share capital	*12*	**79,325**	79,325
Reserves		**1,379,597**	1,180,066
Equity attributable to owners of the Company		**1,458,922**	1,259,391
Non-controlling interests		**73,550**	41,341
Total equity		**1,532,472**	1,300,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

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

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

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

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

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

In the current year, the Group had applied the following amendments to HKFRSs issued by the Hong Kong Certified Public Accountants ("HKICPA").

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 27	Equity method in separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

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

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

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2015 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2016 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

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

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

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

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

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

HKFRS 15 *Revenue from contracts with Customer*

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

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

- Step 1: Identify the contract(s) with customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

HKFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

The Group has three reportable and operating segments as follows:

1.	Property management services	—	Provision of property management services to primarily residential communities and property management consultancy services provided to other property management companies.
2.	Engineering services	—	Provision of equipment installation services, repair and maintenance services, equipment leasing services and energy-saving services.
3.	Community leasing, sales and other services	—	Provision of common area rental assistance, online promotion services, leasing information system software, residential and retail units rental and sales assistance and other services.

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

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

Segment revenues and results

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

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

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

Other segment information

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

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

Revenue from major services

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

Geographical information

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

Information about major customers

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

4. OTHER GAINS AND LOSSES AND OTHER INCOME

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

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

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

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

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

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

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

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

7. PROFIT FOR THE YEAR

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

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 final dividend HK10.00 cents (2014: HK9.00 cents) per share	**84,695**	71,033

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

9. EARNINGS PER SHARE

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

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

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

10. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**284,667**	184,594
Retention receivables	**4,008**	3,880
Invoices to be issued *(note)*	**14,948**	13,062
	303,623	201,536
Less: Allowance for doubtful debts	**(24,851)**	(14,987)
Total trade receivables	**278,772**	186,549
Classified as:		
Non-Current	**8,247**	7,199
Current	**270,525**	179,350
	278,772	186,549

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

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

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

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

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

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

The following is an aging analysis of gross trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to Caizhijia, of which the invoice date represented the payment due date:

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

11. TRADE PAYABLES

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

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

12. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	50,000,000	5,000,000
Issued and fully paid:		
At 1 January 2015	1,000,000	100,000
Issue of shares upon exercise of share options	119	12
At 31 December 2015 and 2016	**1,000,119**	**100,012**

	Amount
	RMB'000
Shown in the consolidated financial statements:	
At 31 December 2015 and 2016	79,325

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Overview

The Group is a leading community services provider in the PRC. Based on the gross floor area ("GFA") of residential communities which the Group was contracted to manage as at 31 December 2015, the Group was named by China Index Academy in 2016 as the provider with the largest coverage of community services in the world in terms of the area of residential properties. The Group has three main business segments:

- *property management services*, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a commission basis, which including mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a lump sum basis, which including mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (iii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iv) consultancy services provided to regional property companies, such as standardised operation, cost control and consultation;

- *engineering services*, which primarily include: (i) equipment installation services; (ii) repair and maintenance services; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) energy-saving services; and

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

Property Management Services

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

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

Geographical Presence

As at 31 December 2016, the regions with residential communities which the Group managed, provided consultancy services or cooperated with in platform services to were as follows:

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

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

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

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

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

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

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

Non-Mainland China
209. Hong Kong

Oversea
210. Singapore

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

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

Notes:

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

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

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

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

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

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

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

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

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

Notes:

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

(2) The Group acquired some other companies in the property management industry in order to expand its managed GFA and gain synergy after the acquisition.

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

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

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

Nature of the Property Developers

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

	As at 31 December							
	2016				2015			
	Total Contracted GFA (*'000 sq.m.*)	**% of total Contracted GFA**	**Number of Properties**	**% of total number of properties**	Total Contracted GFA (*'000 sq.m.*)	% of total Contracted GFA	Number of Properties	% of total number of properties
Properties constructed by independent property developers other than the Fantasia Group	**513,477**	**98.8%**	**3,145**	**99.1%**	314,416	97.6%	1,970	98.5%
Properties constructed by the Fantasia Group	**6,088**	**1.2%**	**30**	**0.9%**	7,708	2.4%	31	1.5%
Total	**519,565**	**100.0%**	**3,175**	**100.0%**	322,124	100.0%	2,001	100.0%

Scope of Services for Property Management Services

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

The property management services the Group provides can be grouped into the following categories:

Security services

The Group endeavors to provide high-quality security services to ensure that the communities it manages are well protected. The Group seeks to enhance the quality of its security services through equipment upgrading. Daily security services provided by the Group include patrolling, access control, visitor handling and emergency handling. The Group may delegate certain security services to third-party sub-contractors.

Cleaning and gardening services

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

Repair and maintenance services

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

Colour Life Property Management Services Model

As at 31 December 2016, the Group employed over 36,767 on-site personnel to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December			
	2016		2015	
	Under commission basis *(RMB/ sq.m./month)*	**Under lump sum basis** *(RMB/ sq.m./month)*	Under commission basis *(RMB/ sq.m./month)*	Under lump sum basis *(RMB/ sq.m./month)*
Shenzhen	**0.35–10.55**	**1.0–6.9**	0.8–8.0	1.0–6.9
Southern China (excluding Shenzhen)[1]	**0.34–3.94**	**0.6–6.0**	0.4–3.75	0.75–2.9
Eastern China[2]	**0.2–8.0**	**1.2–3.0**	0.2–6.5	1.0–4.2
Southwestern China[3]	**0.3–4.0**	**0.88–4.5**	0.3–5.68	0.5–5.0
Northeastern China	**0.4–3.7**	**2.0–5.0**	0.4–3.7	1.8
Northwestern China[4]	**0.6–1.8**	**1.1–3.0**	0.6–1.2	1.88
Northern China[5]	**0.64–2.5**	**1.2–5.2**	1.8–3.4	0.75–3.5
Central China[6]	**0.4–4.18**	**0.4–2.48**	0.5–4.18	0.5–2.48
Singapore	**1.23**	**–**	1.23	–
Hong Kong	**4.4–22.0**	**–**	1.42–20.35	–

Notes:

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

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

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

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

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

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

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

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

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

Consultancy Services

With a view to expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its community leasing, sales and other services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services at the relevant communities, and the Group provides consultancy and advice to these regional property management companies such that they can leverage the Group's experience and platform to improve the standard of their own operations and control their operational costs in their service provision. In addition, the Group provides community leasing, sales and other services at the relevant communities in accordance with the contracts, which in the future may generate additional revenue for the Group.

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

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

Engineering Services

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

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

Automation and other hardware equipment installation services

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

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

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

Community utility facilities repair and maintenance services

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

Community automation equipment leasing services

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

Energy-saving services

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

Community Leasing, Sales and Other Services

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

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

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

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

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

Common area rental assistance

Physical advertising spaces in a residential community, such as those on elevator walls or in common spaces, are the properties of the property developers or property owners. The Group assists them to lease out such spaces and receive a commission in return. The Group also provides such services with regard to extra space at a residential community, which is rented out as storage space.

Online promotion services and leasing information system software

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

Residential and retail units rental and sales assistance

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

Others

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

Financial Review

Revenue

The Group's revenue mainly arises from (i) property management services, (ii) engineering services, (iii) community leasing, sales and other services. For the year ended 31 December 2016, the total revenue increased by 62.2% to approximately RMB1,342.1 million from RMB827.6 million for the year ended 31 December 2015.

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

– *Property Management Services*

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

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

Such increase was primarily attributable to:

(a) An increase in the revenue of approximately RMB469.6 million under lump sum basis due to the completion of the acquisition of Kaiyuan International, Chongqing Hongshan Property Management Co., Ltd. (hereafter referred to as "Hongshan") and Chengdu Hongpeng Property Management Co., Ltd. (hereafter referred to as "Hongpeng"), as well as other property management companies, whose service fees are charged with a larger proportion in terms of GFA being under lump sum basis. As at 31 December 2016, the revenue-bearing GFA under lump sum basis increased by 29.0 million sq.m. to 50.2 million sq.m. from 21.2 million sq.m. as at the same date in 2015;

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

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

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

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

– *Engineering Services*

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

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

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

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

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

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

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

– *Community Leasing, Sales and Other Services*

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

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

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

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

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

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

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

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

Cost of Sales and Services

The Group's cost of sales and services primarily comprises labor costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes, and others, utility costs, depreciation and amortisation and others. For the year ended 31 December 2016, cost of sales and services increased by 102.7% from approximately RMB373.2 million for the year 2015 to approximately RMB756.3 million. The increase was primarily attributable to the acquisition of Hongshan, Hongpeng and other property companies. The majority of the cost is charged with the property management services under lump sum basis and pre-sale services contracted with property developers.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2016, the overall gross profit increased by 28.9% to approximately RMB585.8 million from approximately RMB454.5 million for the year ended 31 December 2015. The increase of gross profit was in line with the growth of revenue in all segments.

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

(i) Property Management Services

For the year ended 31 December 2016, the gross profit margin of property management services decreased by 11.2 percentage points from 46.8% in the year 2015 to 35.6%, primarily due to the increase in the revenue generated from property management services under lump sum basis, which had a relatively lower gross profit margin compared to the property management services under commission basis and consulting service.

(ii) Engineering Services

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

(iii) Community Leasing, Sales and Other Services

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

Other Gains and Losses

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

Other Income

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

Selling and Distribution Expenses

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

Administrative Costs

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

Expenses recharged to Residential Communities under Commission Basis

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

Finance Costs

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

Share Options

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

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

Changes in Fair Value of Investment Properties

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

Income Tax Expenses

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

Adjusted Profit for the Year

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

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

Property, Plant and Equipment

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

Intangible Assets

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

Investment Properties

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

Available-for-sale Investment

AFS investment represents (i) the investment in listed equity security issued by 深圳市美易家商務服務集團股份有限公司, Shenzhen Home E&E Commercial Services Group Co., Ltd. ("Home E&E"), a fellow subsidiary of the Company, which is listed on National Equities Exchange and Quotations and primarily engaged in property management, asset operation and management and the relevant value added services for commercial properties in the PRC, and (ii) the investment in 蕪湖歌斐資產管理有限公司 Wuhu Gopher Asset Management Co., Ltd. ("Wuhu Gopher") and 深圳百城精工有限公司 Shenzhen Baicheng Jinggong Co., Ltd..

Goodwill

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

Deferred Taxes

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

Bank Balances and Cash

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

Trade and other Receivables and prepayments

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

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

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

Payment/Receipts on Behalf of Residents

Payment/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity status. For the daily management of these property management offices of the residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

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

Trade and Other Payables and Accruals

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

(1) Trade payables increased from approximately RMB80.2 million as at 31 December 2015 to approximately RMB114.0 million as at 31 December 2016. This was primarily due to the growth of the Group's property management services business under lump sum basis.

(2) Other payables and accruals increased from approximately RMB421.2 million as at 31 December 2015 to approximately RMB596.2 million as at 31 December 2016, primarily attributable to:

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

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

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

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

Financial Assets Designated at Fair Value through Profit or Loss

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

Share Capital

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

Cash Position

As at 31 December 2016, the Group's total cash including pledged bank deposits increased by 28.5% to approximately RMB1,247.5 million from approximately RMB970.9 million as at 31 December 2015. Among the total cash, RMB492.7 million (31 December 2015: RMB551.4 million) of bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's IPO net proceeds from offshore to onshore entities.

The financial position continued to be stable. As at 31 December 2016, the current ratio (current asset/current liabilities) of the Group was 1.9, which increased compared to 1.5 as at 31 December 2015. This increase arose from the receipt of the funding of totally RMB700.0 million from the corporate bonds and assets backed securities issued ("ABS").

Borrowings and Charges on the Group's Assets

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

Net Gearing Ratio

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

Currency Risk

The Group's operation is principally based in the PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the year ended 31 December 2016, despite the depreciation of RMB against USD and HKD, the Directors do not expect any fluctuations in the RMB exchange rate would materially and adversely affect the operations of the Group.

Employees and Remuneration Policies

As at 31 December 2016, excluding the employees for communities under commission basis, the Group had approximately 7,727 employees (31 December 2015: approximately 7,537 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

DIVIDENDS DISTRIBUTION

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

ANNUAL GENERAL MEETING

The AGM will be held on 24 May 2017 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") in due course.

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 Thursday, 18 May 2017 to Wednesday, 24 May 2017, 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 Wednesday, 17 May 2017.

(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 Wednesday, 31 May 2017 to Thursday, 1 June 2017, 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 Monday, 29 May 2017.

CORPORATE GOVERNANCE CODE

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

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

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

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 December 2016 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors, namely, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2016 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2016.

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

Share Award Scheme

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

Corporate Bonds

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

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

Assets Backed Securities Issued

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

For certain portion of ABS amounting to RMB135,000,000 as mentioned above, at the end of the third year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at put options to sell back the ABS to the Group in whole or in part.

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

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.colourlife.hk). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

The excellent performance of the Company was really founded on the tremendous support from all sectors and the diligent fulfillment and contribution of all our staff. On behalf of the Board, the Company would like to take this opportunity to express its heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. Following the 18th CPC Central Committee, the economy and society of China has entered into a historical moment when state-owned enterprises face challenges and market opportunities. The Company will adhere to the concept of maintaining a close relationship with customers and developing a light asset based business so as to become a leader in community services sector in three to five years' time and create valuable life to its customers continuously and thoroughly with new ideas. The Company dedicates to maximise the value for its shareholders and investors in creating the best returns.

By Order of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
TANG Xuebin
Executive Director and Chief Executive Officer

Hong Kong, 17 March 2017

As at the date of this announcement, the Board comprises Mr. TANG Xuebin and Mr. DONG Dong as executive directors; Mr. PAN Jun, Mr. LAM Kam Tong and Mr. ZHOU Hongyi as non-executive directors; and Mr. TAM Chun Hung, Anthony, Dr. LIAO Jianwen and Mr. XU Xinmin as independent non-executive directors.