THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Colour Life Services Group Co., Limited, you should at once hand this circular to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF PROPERTY MANAGEMENT COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 15 of this circular.

A notice convening the EGM to be held at 12th Floor, Colour Life Building, Meilong Road, Liuxian Avenue, Long Hua District, Shenzhen, PRC on Thursday, 4 June 2015 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

16 May 2015

CONTENTS

Page

Definitions 1

Letter from the Board 5

Appendix I — Financial Information of the Group I-1

Appendix II — Financial Information of the Target Group II-1

Appendix III — Unaudited Pro Forma Financial Information of the Enlarged Group III-1

Appendix IV — General Information IV-1

Notice of EGM EGM-1

In this circular, unless the context indicates otherwise, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
"Agreement"	the equity transfer agreement dated 12 February 2015 entered into among the Vendors and the Purchaser in relation to the Acquisition
"Audited Financial Statements"	the audited consolidated financial statements of the Target Group for the years ended 31 December 2012, 2013, 2014 as set out in Appendix II to this circular
"Beijing Zhonghaiwai"	北京中海外物業管理有限公司 (Beijing Zhonghaiwai Property Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Target Company
"Board"	the board of Directors
"chief executive"	has the meaning ascribed to it under the Listing Rules
"Company"	Colour Life Services Group Co., Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
"Completion"	completion of the acquisition pursuant to the terms of the Agreement
"Completion Date"	the third working day after completion of the registration of transfer of the Sale Shares and the issue of a revised business registration certificate of the Target Company by the relevant regulatory authority or such later date as agreed between the Vendors and the Purchaser
"Consideration"	RMB330,000,000 (equivalent to approximately HK$410,157,000), subject to adjustment
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Core Senior Management Team"	Li Lixin (李立新), Zang Shisheng (臧世勝), Huang Wei (黃瑋), Yang Congqi (楊叢歧), Li Changliu (李長柳) and Geng Wanling (耿萬嶺) all of whom are Vendors except Li Lixin (李立新)
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held at 12th Floor, Colour Life Building, Meilong Road, Liuxian Avenue, Long Hua District, Shenzhen, PRC on Thursday, 4 June 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
"Enlarged Group"	Company and its subsidiaries as enlarged by the Acquisition upon Completion
"Escrow Account"	an account established with the Escrow Agent and jointly controlled by the Purchaser and a representative of the Vendors
"Escrow Agent"	Industrial and Commercial Bank of China Limited
"Fantasia"	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
"Group"	the Company and its subsidiaries
"Hanzhou Kunyuan"	杭州坤元物業服務有限公司 (Hangzhou Kunyuan Property Services Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Target Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	13 May 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Material Adverse Change"	the (i) aggregate floor area of properties under the management of the Target Group, or (ii) the net asset value of the Target Group as at Completion, is less than 90% of the amount as agreed in the Agreement
"PRC"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan

"Purchaser"	Shenzhen Colour Life Services Group Company Limited (深圳市彩生活服務集團有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Ruitai Human Resources"	南京瑞泰人力資源服務有限責任公司 (Nanjing Ruitai Human Resources Services Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Target Company
"Ruitai Property Management"	南京瑞泰物業管理有限責任公司 (Nanjing Ruitai Property Management Co., Ltd.*), a limited liability company established in the PRC and a 51%-owned subsidiary of the Target Company
"Sale Shares"	100% equity interest of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Kaiyuan"	深圳市開元科創樓宇科技有限公司 (Shenzhen Kaiyuan Kechuang Building Technology Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	深圳市開元國際物業管理有限公司 (Shenzhen Kaiyuan International Property Management Co., Ltd.*), a limited liability company established in the PRC
"Target Group"	the Target Company and its subsidiaries, namely Shenzhen Kaiyuan, Beijing Zhonghaiwai, Hangzhou Kunyuan, Ruitai Property Management and Ruitai Human Resources

"Vendors"	27 individuals being all shareholders of the Target Company, and each of them a Vendor
"%"	per cent.

* *All English translation of the Chinese names of the companies established in the PRC is for identification purpose only*

For the purposes of this circular, unless otherwise indicated, conversion of RMB and HK$ is calculated at the exchange rate of RMB1 to HK$1.2429. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate or at all.

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)

Executive Directors:
Mr. TANG Xuebin
Mr. DONG Dong
Mr. ZHOU Qinwei

Non-executive Directors:
Mr. PAN Jun
Mr. LAM Kam Tong
Mr. ZHOU Hongyi

Independent Non-executive Directors:
Mr. TAM Chun Hung, Anthony
Dr. LIAO Jianwen
Mr. XU Xinmin

Registered Office and Transfer Office:
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters and Principal place of business in the PRC:
12th Floor, Colour Life Building
Meilong Road, Liuxian Avenue
Long Hua District
Shenzhen, PRC

Principal place of business in Hong Kong:
Room 1202–03, New World Tower 1
16–18 Queen's Road Central
Central
Hong Kong

16 May 2015

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF PROPERTY MANAGEMENT COMPANIES

INTRODUCTION

Reference is made to the announcement of the Company dated 18 January 2015 in relation to, inter alia, the possible acquisition of property management companies and the joint announcement of Fantasia and the Company dated 16 February 2015 in relation to acquisition of property management companies. The Vendors and the Purchaser entered into the Agreement on 12 February 2015 pursuant to which the Vendors have agreed to sell and the

Purchaser has agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, for the Consideration of RMB330,000,000 (equivalent to approximately HK$410,157,000), subject to adjustment as described below.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) notice of the EGM to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

A summary of the principal terms of the Agreement are set out below:

Date: 12 February 2015

Parties:

(1) Vendors

(2) Purchaser

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired: Pursuant to the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 100% of the equity interests of the Target Company, on the terms and conditions as set out therein.

As at the Latest Practicable Date, the Target Group provides property management services to more than 130 property developments in the PRC.

Consideration: The Consideration for the Acquisition is RMB330,000,000 (equivalent to approximately HK$410,157,000), subject to adjustments set out below:

(i) if, after the audit conducted by an independent auditor engaged by the Purchaser, the net asset value of the Target Group as at 31 December 2014 as shown in the Audited Financial Statements is less than that as shown in the unaudited consolidated accounts of the Target Group as at 31 October 2014 provided by the Vendors by more than 10%, the Consideration shall be reduced by the same amount of shortfall in the net asset value of the Target Group; and

(ii) if details of the property management projects as of Completion deviates from those agreed in the Agreement, the Consideration shall be reduced accordingly on such terms to be agreed by the Vendors and the Purchaser.

The audited net asset value of the Target Group as at 31 December 2014 was lower than the unaudited consolidated accounts of the Target Group as at 31 October 2014 provided by the Vendors by approximately 8.0% and accordingly, no adjustment to the Consideration was required solely on the basis of sub-paragraph (i) above. The Company will make further announcement if adjustment is required at Completion pursuant to sub-paragraph (ii) above.

The Consideration is expected to be settled by cash through a combination of bank borrowings and internal financial resources of the Company. The Company does not currently expect to utilise its listing proceeds to fund the Acquisition. The Consideration is payable by the Purchaser to the Vendors in the following manner:

(i) as to RMB132,000,000 (equivalent to approximately HK$164,062,800), being 40% of the Consideration, which had been paid to the designated account of the Vendors within three working days of signing of the Agreement;

(ii) as to RMB132,000,000 (equivalent to approximately HK$164,062,800), being 40% of the Consideration, to the designated account of the Vendors within three working days after concluding both the shareholders' approval requirement of the Company as well as the obtaining of the filing receipt from regulatory authority in respect of the registration of transfer of shares; and

(iii) as to RMB66,000,000 (equivalent to approximately HK$82,031,400), being 20% of the Consideration, to the Escrow Account at the same time as the second 40% payment above.

If within 3 working days after the Completion Date, no adjustment is required to be made to the Consideration, the Purchaser shall instruct the Escrow Agent to release the last 20% of the Consideration to the designated account of the Vendors. In the event that adjustment is required to be made to the Consideration, the Purchaser shall instruct the Escrow Agent to release the last 20% of the Consideration less the amount of adjustment to the designated account of the Vendors. Any amount remaining in the Escrow Account (including but not limited to the amount of adjustment (if any) referred to above and interest accrued on the last 20% of the Consideration held in the Escrow Account) shall be returned to the Purchaser directly.

If the Purchaser fails to pay any amount due on the relevant due date under the Agreement, a penalty will be charged at the rate of 0.05% per day and where such delay exceeds 10 days, the penalty shall be increased to 20% of the consideration payable to the relevant Vendor.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser and took into account, amongst other things, (a) the net asset value of the Target Group of RMB110,110,000 (equivalent to approximately HK$136,855,719) as at 31 October 2014 as shown in the unaudited consolidated accounts of the Target Group prepared under HKFRS basis; and (b) the property management contracts entered into by the Target Group in respect of more than 130 property developments in the PRC.

The Company will announce the final Consideration amount once payment amount is determined or when payment is made.

Conditions precedent: Completion is conditional upon satisfaction (or waiver, as the case may be) of the following conditions:

(a) from the date of the Agreement up to the Completion Date (i) there has been no Material Adverse Change which would lead to non-consummation of the Agreement; (ii) the representations and warranties from the Vendors and the Purchaser are accurate and true in all material respects; (iii) the Vendors and the Purchaser having complied with their respective undertakings and obligations prior to Completion; and (iv) there has been no material breach of the Agreement;

(b) the issue of the Audited Financial Statements;

(c) the shareholders of the Company having approved the transactions contemplated under the Agreement pursuant to the Listing Rules; and

(d) each of the Vendors and the Target Company having provided all information required for notarisation (where applicable), completion of the transfer of Sale Shares and registration with the relevant regulatory authority.

In the event that the above conditions precedent cannot be fulfilled (or waived), the Agreement shall be terminated and the Vendors shall refund all sums paid by the Purchaser under the Agreement together with interest accrued thereon.

Completion: Subject to satisfaction (or waiver, as the case may be) of the above conditions precedent, Completion shall take place on the Completion Date.

Upon registration of transfer of the Sale Shares by the relevant regulatory authority, the Target Company will become a wholly-owned subsidiary of the Company.

Key Termination Events: If the Agreement cannot be consummated due to a breach by any or all of the Vendors, the Purchaser shall be entitled to terminate the Agreement. The Vendors shall return all sums received from the Purchaser pursuant to the Agreement and the defaulting Vendor(s) shall pay the Purchaser a further sum equivalent to 20% of the consideration in respect of the equity holding of the defaulting Vendor(s) pursuant to the Agreement.

If the Agreement cannot be consummated due to wilful or gross negligence on the part of the Purchaser, the Vendors shall be entitled to terminate the Agreement. The Purchaser shall pay the non-defaulting Vendor a further sum equivalent to 20% of the consideration payable for the transfer of his equity interest in the Target Company.

Profit guarantee: Under the Agreement, the Vendors guarantee that for every financial year of the Target Group after Completion, for so long as the Target Group is under the management of the Core Senior Management Team, the audited net profit of the Target Group for each financial year will not be less than RMB30,000,000 (equivalent to approximately HK$37,287,000). It is not expected that any adjustment for extraordinary items will be made when determining whether such guarantee is met. In the event such guaranteed profit is not met, the Purchaser shall be entitled to lay off the relevant management personnel.

The Vendors have undertaken to procure members of the Core Senior Management Team to enter into service contracts with the Target Company to retain their existing positions as members of the Core Senior Management Team of the Target Group for a period of at least three years from the Completion Date. These service contracts are currently expected to allow the Target Company to terminate under certain prescribed circumstances triggered by events such as serious breach of the Target Company's regulations, misconduct or fraud which results in significant losses to the Target Company, concurrent employment with third parties, commission of criminal offence or not meeting guaranteed profit as referred to above. Accordingly, it is possible that members of the Core Senior Management Team would cease to be responsible for operating the Target Group within the first three years immediately after the Completion Date if (amongst other things) any of the above circumstances take place, and there is no guarantee that any or all of the Core Senior Management Team members will continue to be employed by the Target Group after such service contracts expire.

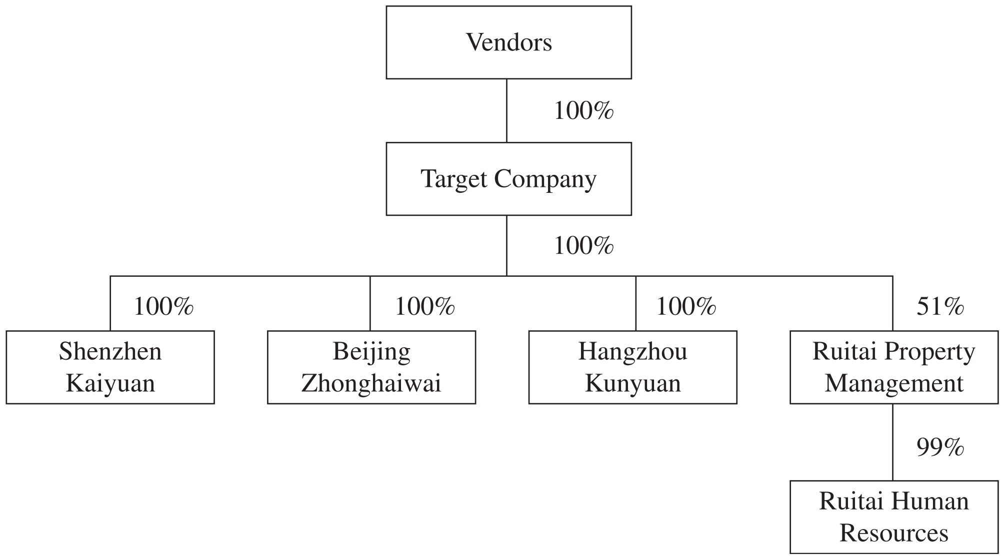
Non-compete undertaking:	Under the Agreement, the Vendors guaranteed that the Core Senior Management Team shall remain with the Target Group for no less than 3 years after the Completion Date. The Vendors further undertook that for a period of three years after the Completion Date, the Core Senior Management Team and their respective spouses and children shall not, either individually or jointly or as representatives of other entities to carry on, participate or engage in property management services in respect of the property developments managed by the Target Group as set out in the Agreement. In the event of breach of such non-compete undertaking, the Purchaser shall be indemnified as to 20% of the consideration paid to the relevant Vendor for the transfer of his equity interest in the Target Company under the Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company established in the PRC. The Target Group are principally engaged in property management business and provide property management services to more than 130 property developments in the PRC. The Vendors have confirmed that, as at 31 December 2014, the Target Group managed more than 130 communities (including residential properties or residential properties with ancillary commercial units) in 41 cities in the PRC with an aggregate contracted gross floor area of approximately 29.3 million square metres.

The Target Group' property management services primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) parking service provided in property developments.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



A summary of the key audited consolidated financial information of the Target Group prepared under HKFRS basis is set out as follows:

	For the year ended 31 December	
	2013	**2014**
	(audited)	*(audited)*
Net profit (before tax and extraordinary items)	approximately RMB17,938,000 (equivalent to approximately HK$22,295,000)	approximately RMB28,548,000 (equivalent to approximately HK$35,482,000)
Net profit (after tax and extraordinary items)	approximately RMB13,591,000 (equivalent to approximately HK16,892,000)	approximately RMB21,300,000 (equivalent to approximately HK$26,474,000)

The audited consolidated net asset value of the Target Company as at 31 December 2014 was approximately RMB101,269,000 (equivalent to approximately HK$125,867,000).

FINANCIAL EFFECTS OF THE ACQUISITION

Upon registration of transfer of the Sale Shares by the relevant regulatory authority, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the Group's accounts. As referred to in "Appendix III — Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular, on the basis of the notes set out therein and for the purposes of illustrating the effects of the Acquisition, the financial effects of the Acquisition on the earnings and assets and liabilities of the Group would be as follows:

Earnings

As extracted from the Company's annual report for the year ended 31 December 2014, the Group recorded an audited consolidated net profit attributable to owners of the Company of approximately RMB145.7 million for the year ended 31 December 2014. According to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as set out in Appendix III to this circular, the unaudited consolidated net profit attributable to owners of the Company for the year ended 31 December 2014 would have been approximately RMB163.5 million if the Acquisition were completed on 1 January 2014.

Assets and Liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 December 2014, as extracted from the Company's annual report for the year ended 31 December 2014, were approximately RMB1,599.7 million and RMB512.5 million respectively. According to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, if the Acquisition were completed on 31 December 2014, the total assets of the Enlarged Group would have increased by approximately RMB184.0 million, primarily attributable to: (i) the consolidation of the assets of the Target Group and (ii) goodwill generated from the Acquisition, as offset by (iii) cash expected be paid out by the Group to settle part of the Consideration; the total liabilities of the Enlarged Group would have increased by approximately RMB187.4 million, primarily attributable to the consolidation of the liabilities of the Target Group as well as borrowings expected to be raised by the Group to settle the remaining part of the Consideration.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company and its subsidiaries are principally engaged in property management services, engineering services and community leasing, sale and other services. The Target Group is recognised as an influential force in the property management industry in the PRC. The Acquisition would provide a good opportunity for the Company and its subsidiaries to reinforce their position as one of the leading property management companies in the PRC. The Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be held for Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder. Fantasia, which owned approximately 50.4% of the total issued share capital of the Company as at the Latest Practicable Date, has confirmed that it will vote in favour of the resolution in respect of the Acquisition. Fantasia does not have any interest in the Acquisition other than as a Shareholder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the transactions contemplated thereunder. Therefore, no Shareholder is required to abstain from voting on the resolution in respect of the Acquisition.

A notice convening the EGM to be held at 12th Floor, Colour Life Building, Meilong Road, Liuxian Avenue, Long Hua District, Shenzhen, PRC on Thursday, 4 June 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Colour Life Services Group Co., Limited
TANG Xuebin
Executive Director and Chief Executive Officer

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the of the Group for the year ended 31 December 2014 has been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.colourlife.hk). The unaudited condensed consolidated financial statements of the Group for the six months sended 30 June 2014 and the audited consolidated financial statements of the Company for the three years ended 31 December 2013 have been set out in pages 32 to 56 in the interim report of the Company for the six months ended 30 June 2014, and pages I-8 to I-117 of the Company's prospectus dated 17 June 2014, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.colourlife.hk).

2. WORKING CAPITAL

The Directors of the Company are of the opinion that, after taking into account the financial resources available to us including the available credit facilities, our internally generated funds and the cash flow impact of the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular.

3. INDEBTEDNESS

Borrowings of the Enlarged group

At the close of business on 31 March 2015, being the latest practicable date for the purpose of this statement, the Enlarged Group had below outstanding balances:

	RMB'000
Amounts due to fellow subsidiaries of the Group	1,696
Amounts due to non-controlling shareholders of subsidiaries of the Company	7,402
Amount due to an associate of the Group	920
Bank borrowings of the Group	247,900

Except the bank borrowings as at 31 March 2015 which are secured by the bank deposits of the Group of RMB257,330,000, all other balances are unsecured and unguaranteed.

Save as foresaid or as otherwise mentioned herein and part from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charge, debentures, loan capital (issued or agreed to be issued), debt securities, bank loans and overdraft or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase and finance lease commitments, guarantees or other material contingent liabilities as at the close of business of 31 March 2015.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company and its subsidiaries are principally engaged in property management services, engineering services and community leasing, sale and other services. Property management is not only the management of an object but also the provision of services to people. Hence, the Group will consider meeting customers' needs and enhancing customer satisfaction as its principal objective. On top of basic services including security, cleaning and maintenance, the Group has incorporated the extended services that meet reasonable and living needs of property owners into the service scope of the Group.

As the Target Group is recognised as an influential force in the property management industry in the PRC, the Acquisition is expected to provide good opportunity for the Group to entrench its leading position in the industry in the PRC market. The Group will continue to strive to remain in the forefront of the industry.

In 2015, the Group will continue to focus on improving quality property management, further upgrading the property management model in the communities under its management, launching more contents which facilitate interaction between residents on its online platform and thereby strengthening the branding effect of Colour Life community service platform. The Group will further enhance its strategic plan of nationwide deployment, enabling better economy of scale of the online and offline community service platforms. The Group will also continue to build up and enhance its capability in integrating resources in the commercial circles surrounding its communities, attracting more vendors to provide more goods and services via the Caizhiyun platform to the residents in the communities under its management, thereby strengthening customer cohesion in its service platform and developing the Group as a leading operator of community service platforms.

5. MANAGEMENT DISCUSSIONS AND ANALYSIS OF THE GROUP

Set out below is the discussion and analysis of the performance of the Group for the year ended 31 December 2014:

Business Review

The Group is one of the leading property management companies in the PRC and was named as China's Largest Community Services Operator in terms of the number of residential units managed as at 31 December 2013 by China Index Academy in 2014; based on the area of residential communities which the Group was contracted to manage as at 31 December 2013, the Group was named as the 2014 No.1 of China property management in terms of total area of residential properties by China Index Academy in 2014. 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, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) consultancy services provided for 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, and (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and

- community leasing, sales and other services, which primarily include: (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

Property Management Services

Geographical Presence

The Group's total contracted gross floor area ("GFA") had grown continuously during 2014. As at 31 December 2014, the Group had managed or provided consultancy services to residential communities in 109 cities in the PRC and one city outside the PRC with an aggregate contracted GFA of approximately 137.2 million sq.m. and entered into consultancy services contracts with 469 residential communities with an aggregate contracted GFA of approximately 68.1 million sq.m.. The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies. The table below sets forth the movement of the total contracted GFA and the number of residential communities the Group managed or provided consultancy services to during the year 2014:

	As at 31 December							
	2014				2013			
	Managed by the Group		**Under the Group's consultancy service arrangements**		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
As at the beginning of the year	**63,285**	**436**	**28,248**	**179**	32,337	278	1,691	23
New engagements[1]	**42,866**	**136**	**46,450**	**338**	21,369	80	26,557	156
Acquisitions	**32,870**	**241**	**—**	**—**	11,985	100	—	—
Transfer from consultancy service to self-management[2]	**2,069**	**15**	**(2,069)**	**(15)**	—	—	—	—
Terminations[3]	**(3,926)**	**(32)**	**(4,543)**	**(33)**	(2,406)	(22)	—	—
As at the end of the year	**137,164**	**796**	**68,086**	**469**	63,285	436	28,248	179

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) For the year ended 31 December 2014, the Group managed to acquire one 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.

(3) Including the contracted GFA and the number of residential communities which the Group ceased to manage primarily due to non-renewal of certain property management contracts for commercial reasons.

Nature of the Property Developers

The properties that the Group manages or provides with consultancy services are predominantly constructed by independent property developers other than Fantasia, the controlling shareholder of the Group, and its subsidiaries.

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, and (ii) pre-sale services to property developers, including cleaning, security and maintenance of the pre-sale display units.

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 upgrade. 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 subcontractors.

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 2014, the Group employed over 21,000 on-site personnel to provide property management services. During the year 2014, the labour cost of the property services industry continued to increase. In order to tackle the challenges posted by such increase and further enhance the efficiency of the property management services, the Group has implemented the information-technology- based automation and equipment upgrade in some of the projects under its management. At the same time, the Group also launched its Caizhiyun website and its same mobile application with the aim to provide convenience in remittance of fees, requesting repair and maintenance services and submitting complaints on services which strengthened the interactions and communications between the Group and property owners of residential communities. The Group believes that this will further boost its capability in catering to demands for community services in an era of mobile network, facilitate replication of its management model applicable to communities, and seamlessly integrate its online and offline businesses, provide strong assurance to its centralised business model of and the quality of its property management service, thereby further sharpening its competitive edge in property management.

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 consultation 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 2014, the Group was contracted to provide consultancy services to 469 residential communities in the PRC. For the year ended 31 December 2014, income generated from the Group's consultancy services was RMB53.5 million (2013: RMB0.5 million), or 13.7% of its total revenue for the year 2014 (2013: 0.2%). The gross profit margin for consultancy services was nearly 100%.

The relevant contracts typically have terms of at least two years. The Group provides consultation 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 Fantasia and its subsidiaries) and the communities the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its wholly-owned subsidiary, Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji"), which specialises in engineering services. The Group's engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services and energy-saving equipment installation services), (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Group's equipment leasing program.

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 is committed to provide installation of automation equipments 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 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 2014, the Group was engaged to provide repair and maintenance services to 801 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 2014, the Group had completed automation and other equipment upgrades at approximately 410 residential communities.

Community Leasing, Sales and Other Services

Leveraging the Group's understanding of the demands of residents living at the residential communities it manages or provides with consultancy services, the Group has strategically focused on developing a service platform for its community leasing, sales and other services through which residents can connect with local vendors for community leasing, sales and other services.

Currently, the Group primarily offers community leasing, sales and other services through an offline service platform. Residents may place orders directly through the Group's on-site management offices or its toll free service hotline. In addition, residents living at the residential communities to which the Group provides online purchase assistance through the Company's website may place orders online. The Group started rolling out its online purchase assistance platform at the end of 2012 and operated the online service platform through the Company's website.

The Group's community leasing, sales and other services primarily include (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

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 developer 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.

Purchase assistance

Depending on the product or service types, residents may place orders at the Group's on-site management offices, through a toll free service hotline, or through the Company's website that covered 792 residential communities as at 31 December 2014. Typically, for purchases of rice, bottled water and cooking oil, residents place orders at the Group's on-site management office or through its toll free service hotline. The Group's on-site management offices maintain a level of inventory of bottled water to meet residents' immediate needs. Based on the Group's orders, the bottled water, cooking oil and rice suppliers will make deliveries to the residential communities the Group manages or provides consultancy services to. The payments are normally settled upon delivery and the Group either receives a percentage of the sales price or a fixed fee as referral fees from the suppliers. In addition, the Group also purchases and maintains its own inventory of fruits, which the Group sells to the residents living in the communities.

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.

Community operational platform business

With the growth of the total contracted GFA as well as the number of residential communities the Group manages or provides with consultancy services, the Group sees potential demand for local products and services among its large number of residents and property owners. These residents and property owners traditionally rely on sifting through a large amount of information primarily through offline channels to find relevant offerings.

Financial Review

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 2014, the total revenue increased by 67.0% to approximately RMB389.3 million from RMB233.1 million for the year ended 31 December 2013.

The increase in revenue was primarily driven by (i) an increase in the total revenue-bearing GFA and (ii) an increase in the amount of community leasing, sales and other services the Group delivered.

Property Management Services

For the year ended 31 December 2014, revenue from property management services increased by 72.7% from RMB136.8 million for the year 2013 to RMB236.3 million.

Such increase was primarily attributable to:

(a) An increase in revenue of RMB57.0 million from service fees charged under commission basis which in turn was driven by the growing revenue-bearing GFA. As at 31 December 2014, the revenue-bearing GFA under commission basis increased by 54.7 million sq.m., or 102.6%, from 53.3 million sq.m. as at the same date in 2013 to 108.0 million sq.m.;

(b) An increase in revenue of RMB53.0 million from fees charged under consultancy services contracts as driven by the growing revenue-bearing GFA and also the better unit price charged given the effects of implementation of Colour Life property management service model started to indicate in these target companies who subscribed to the Group' s consultancy services. As at 31 December 2014, the revenue-bearing GFA under consultancy services contracts increased by 49.8 million sq.m., or 682.2%, from 7.3 million sq.m. as at 31 December 2013 to 57.1 million sq.m.;

(c) A decrease in revenue of RMB6.0 million from services fee charged for rendering pre-sale related services for the year ended 31 December 2014 as compared to that charged for the year ended 31 December 2013;

(d) A decrease in the revenue of approximately RMB4.5 million under lump sum basis due to cessation of services provided to the several pure commercial buildings in accordance with the deed of non-competition entered into by the Company's controlling shareholder in the second half of year 2014.

Due to the facts discussed above, revenue from property management service for the year ended 31 December 2014 accounted for 60.7% of the Group's total revenue, representing an increase of 2.0% as compared to that of 58.7% for the year ended 31 December 2013.

Engineering Services

For the year ended 31 December 2014, revenue from engineering service increased by 69.8% from RMB51.6 million for the year ended 31 December 2013 to RMB87.7 million.

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

(a) The growth in community repair and maintenance service income which increased by 286.1% to RMB57.1 million for the year ended 31 December 2014 from RMB14.8 million for the year ended 31 December 2013, which was driven by the growing revenue-bearing GFA in line with the roll out of the Colour Life services property management model;

(b) An increase in the revenue of RMB8.9 million charged for the community equipment leasing income in the year 2014 in line with the Group's community equipment upgrade program;

(c) A decrease in equipment installation service income of 44.5% to RMB19.0 million for the year ended 31 December 2014 from RMB34.2 million for the year ended 31 December 2013, as consistent with the Group's strategy in gradually phasing out this assets heavy business.

Community Leasing, Sales and Other Services

For the year ended 31 December 2014, community leasing, sales and other services income increased by 46.3% from RMB44.6 million for the year ended 31 December 2013 to RMB65.3 million.

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

(a) An increase in software usage fees at approximately RMB15.5 million as driven by the Group's growth in the total revenue-bearing GFA, which increased by 274.7% to RMB21.1 million in the year 2014 from RMB5.6 million of that in the year 2013;

(b) An increase in community common area rental assistance commission income of 59.9% to RMB23.3 million in year 2014 from RMB14.6 million for the year 2013;

(c) A decrease in revenue of the purchase assistance service of approximately RMB2.2 million.

Investment Properties

As at 31 December 2014, the investment properties held by the Group amounted to approximately RMB29.8 million (31 December 2013: RMB26.8 million). These investment properties had been assessed by Jones Lang LaSalle Sallmanns Limited, with independent assessment reports issued. The investment properties for the year increased by approximately RMB3.0 million (11.2%) as compared to 2013, which was mainly due to the 16 sets of properties received from developers for deduction of outstanding management fees, as well as the selling of seven sets of originally owned investment properties during the year.

Goodwill upon acquisition of property companies

Since 1 January 2014, the Group has acquired 13 property companies, which generated the goodwill of 54.7 million for the year ended 31 December 2014. 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 2014.

Liquidity and financial resources

As at 31 December 2014, the Group's total cash have increased by 370.2% from RMB146.1 million as at 31 December 2013 to approximately RMB687.0 million. The increase of total cash for the year primarily resulted from the net proceeds raised by the initial public offering amounted to RMB710 million. As at 31 December 2014 and 31 December 2013, the amount of the Group's total cash was significantly larger than the amount of interest bearing borrowings.

The financial position of the Group continued to be stable. As at 31 December 2014, the current ratio (current asset/current liabilities) of the Group was 2.4, which was a large increase from the 1.2 as at 31 December 2013. The liquidity and security of the asset significantly increased following the successful listing.

Capital Structure

The capital structure of the Group consists of borrowings, amounts due to immediate holding company, non-controlling shareholders, fellow subsidiaries, an associate and a joint venture, redeemable shares, net of bank balances and cash, and equity attributable to owners of the Company comprising share capital and reserves. The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debt.

The Group relies on bank borrowings, amounts due to fellow subsidiaries and redeemable shares as a significant source of liquidity. The Group had bank borrowings of RMB127,945,000 (2013: RMB377,000), amounts to fellow subsidiaries of RMB1,777,000 (2013: RMB36,719,000) and nil (2013:RMB6,614,000) redeemable shares as at 31 December 2014. All bank borrowings are denominated in RMB.

Currency Risk

The Group principally focused on the operation in 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 2014, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group.

Pledged/Restricted Bank Deposits

The Group has restricted bank deposits as at 31 December 2014 amounting to RMB136,323,000 (2013: RMB997,000) which were pledged to banks to secure the banking facilities to the Group.

Employees and Remuneration Policies

As at 31 December 2014, excluding the employees for communities under commission basis, the Group had approximately 1,265 employees (31 December 2013: approximately 1,054 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.

A. ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of the accountants' report on the Target Group received from Deloitte Touche Tohmatsu, Certified Public Accountants, prepared for incorporation in this circular.

Deloitte.
德勤

16 May 2015

The Directors
Colour Life Services Group Co., Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 深圳市開元國際物業管理有限公司 (Shenzhen Kaiyuan International Property Management Co., Ltd.)* (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2014 (the "Relevant Periods") for inclusion in a circular issued by Colour Life Services Group Co., Limited ("Colour Life") dated 16 May 2015 in connection with the proposed acquisition of 100% equity interests of the Target Company (the "Circular") by Colour Life.

The Target Company is a private limited liability company established in the People's Republic of China (the "PRC") on 19 October 2000. It is engaged in the provision of property management services and other related services. The registered office of the Target Company is No. 6005, Shennan Road, Fu Tian District, Shenzhen, Guangdong, the PRC.

At each of the reporting dates and at the date of this report, the Target Company has direct and indirect interests in the follow subsidiaries:

Name of subsidiaries	Place of Establishment	Date of Establishment	Registered and paid-up capital	Equity interest attributable to the Target Company At 31 December 2012 %	2013 %	2014 %	At the date of the report %	Principal Activities	Legal Form
深圳市開元科創樓宇科技有限公司 Shenzhen Kaiyuan Kechuang Building Technology Co., Ltd. ("Shenzhen Kaiyuan")*	PRC	15 April 2008	RMB2,500,000	100	100	100	100	Property management services	Private limited liability company
杭州坤元社區服務有限公司 Hangzhou Kunyuan Property Services Co., Ltd. ("Hangzhou Kunyuan")*	PRC	7 September 1999	RMB5,000,000	100	100	100	100	Property management services	Private limited liability company
北京中海外物業管理有限公司 Beijing Zhonghaiwai Property Management Co., Ltd. ("Beijing Zhonghaiwai")*	PRC	26 April 1999	RMB1,250,000	100	100	100	100	Property management services	Private limited liability company
太原市開元國際物業管理有限公司 Taiyuan Kaiyuan international. Property Management Co., Ltd. ("Taiyuan Kaiyuan")*	PRC	5 August 2011	RMB1,250,000	100	100	—	—	Inactive	Private limited liability company
開元國際物業管理有限公司 Kaiyuan Vietnam Co., Ltd. ("Vietnam Kaiyuan")*	Vietnam	18 September 2010	RMB1,250,000	100	100	—	—	Inactive	Private limited liability company
南京瑞泰物業管理有限公司 Nanjing Ruitai Property Management Co., Ltd. ("Ruitai Property Management")*	PRC	23 February 2001	RMB500,000	51	51	51	51	Property management services	Private limited liability company
南京瑞泰人力資源服務有限責任公司 Nanjing Ruitai Human Resources Services Co., Ltd. ("Ruitai Human Resources")*	PRC	17 September 2003	RMB500,000	51	51	51	51	Human resource services	Private limited liability company

* *The English name is for identification purpose only.*

All companies comprising the Target Group have adopted 31 December as their financial year end date. Taiyuan Kaiyuan was dissolved on 22 July 2014 and Vietnam Kaiyuan was dissolved on 4 November 2014.

No audited statutory financial statements have been prepared for Shenzhen Kaiyuan, Beijing Zhonghaiwai, Taiyuan Kaiyuan, Vietnam Kaiyuan, Ruitai Human Resources since their respective date of establishment as there is no statutory audit requirement in the jurisdiction where they were established.

The statutory financial statements of the following Target Group entities for the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations in the PRC (the "PRC GAAP") and were audited by the following certified public accountants registered in the PRC:

Name of company	Periods covered	Name of auditors
Target Company	Years ended 31 December 2012, 2013 and 2014	深圳永信瑞和會計師事務所（特殊普通合夥）
Hangzhou Kunyuan	Years ended 31 December 2012, 2013 and 2014	杭州敬業會計師事務所
Ruitai Property Management	Years ended 31 December 2012, 2013 and 2014	杭州敬業會計師事務所

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with the accounting policies conforming with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issuance. The directors of Colour Life are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2012, 2013 and 2014, and of the consolidated profits and consolidated cash flows of the Target Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2012	**2013**	**2014**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*7*	275,657	349,898	416,847
Cost of services		(237,867)	(301,485)	(352,556)
Gross profit		37,790	48,413	64,291
Other gains and losses	*8*	(905)	(2,291)	(3,381)
Other income	*8*	1,419	2,110	2,040
Administrative expenses		(23,742)	(30,294)	(34,402)
Profit before tax		14,562	17,938	28,548
Income tax expense	*9*	(3,880)	(4,347)	(7,248)
Profit and total comprehensive income for the year	*11*	10,682	13,591	21,300
Profit for the year attributable to:				
Owners of the Target Company		10,560	13,522	21,269
Non-controlling interests		122	69	31
		10,682	13,591	21,300

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2012	2013	2014
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*14*	17,765	20,688	21,523
Deferred tax assets	*15*	1,649	2,798	5,126
Utility deposits		2,796	3,132	3,239
		22,210	26,618	29,888
Current assets				
Inventories	*16*	267	581	715
Trade receivables	*17*	46,176	52,456	62,037
Other receivables and prepayments	*17*	7,363	9,641	10,142
Financial assets designated at fair value through profit or loss ("FVTPL")	*18*	38,034	46,905	69,007
Bank balances and cash	*19*	92,565	136,596	116,942
		184,405	246,179	258,843
Current liabilities				
Trade payables	*20*	17,040	19,286	11,388
Other payables and accruals	*20*	101,803	156,883	159,704
Dividend payable		—	—	6,000
Receipts on behalf of residents	*21*	5,114	4,363	3,034
Tax liabilities		5,280	6,296	7,336
		129,237	186,828	187,462
Net current assets		55,168	59,351	71,381
Total assets less current liabilities		77,378	85,969	101,269
Net assets		77,378	85,969	101,269
Capital and reserves				
Paid-in capital	*22*	11,000	11,000	11,000
Reserves		65,534	74,056	89,325
Equity attributable to Owners of the Target Company		76,534	85,056	100,325
Non-controlling interests		844	913	944
Total equity		77,378	85,969	101,269

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company					
	Paid-in capital	Statutory reserve *(note)*	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	11,000	1,570	58,404	70,974	722	71,696
Profit and total comprehensive income for the year	—	—	10,560	10,560	122	10,682
Dividend paid	—	—	(5,000)	(5,000)	—	(5,000)
Transfer	—	1,068	(1,068)	—	—	—
At 31 December 2012	11,000	2,638	62,896	76,534	844	77,378
Profit and total comprehensive income for the year	—	—	13,522	13,522	69	13,591
Dividend paid	—	—	(5,000)	(5,000)	—	(5,000)
Transfer	—	1,359	(1,359)	—	—	—
At 31 December 2013	11,000	3,997	70,059	85,056	913	85,969
Profit and total comprehensive income for the year	—	—	21,269	21,269	31	21,300
Dividend declared	—	—	(6,000)	(6,000)	—	(6,000)
Transfer	—	1,503	(1,503)	—	—	—
At 31 December 2014	11,000	5,500	83,825	100,325	944	101,269

Note: According to the relevant laws in the PRC, the PRC subsidiaries are required to transfer at least 10% of their net profit after taxation under the generally accepted accounting principles in the PRC, as determined under the PRC accounting regulations, to a statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be used to offset previous years' losses, if any. The statutory reserve may also be used to increase capital or to meet unexpected or future losses. The statutory reserve is non-distributable other than upon liquidation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	14,562	17,938	28,548
Adjustments for:			
Depreciation of property, plant and equipment	1,744	1,901	2,598
Loss on disposal of property, plant and equipment	24	459	233
Allowance for doubtful debts	2,143	3,720	5,733
Bank interest income	(680)	(519)	(1,312)
Gain from changes in fair value of financial assets designated at FVTPL	(1,262)	(1,888)	(2,600)
Operating cash flows before movements in working capital	16,531	21,611	33,200
Decrease (increase) in inventories	12	(314)	(134)
Increase in trade receivables	(14,224)	(10,000)	(15,314)
Decrease (increase) in other receivables and prepayments	1,628	(2,614)	(608)
Increase (decrease) in trade payables	1,238	2,246	(7,898)
Increase in other payables	3,724	55,080	2,821
Increase (decrease) in receipt on behalf of residents	5,114	(751)	(1,329)
Cash generated from operations	14,023	65,258	10,738
Income taxes paid	(1,986)	(4,480)	(8,536)
NET CASH FROM OPERATING ACTIVITIES	12,037	60,778	2,202
INVESTING ACTIVITIES			
Purchase of financial assets designated at FVTPL	(15,500)	(40,878)	(68,002)
Purchase of property, plant and equipment	(2,619)	(5,283)	(3,666)
Interest received	680	519	1,312
Proceeds from disposal of financial assets designated at FVTPL	8,000	33,895	48,500
NET CASH USED IN INVESTING ACTIVITIES	(9,439)	(11,747)	(21,856)
CASH USED IN FINANCING ACTIVITY			
Dividend paid	(5,000)	(5,000)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,402)	44,031	(19,654)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	94,967	92,565	136,596
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balance and cash	92,565	136,596	116,942

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was established as a private limited liability company in the PRC. The address of its registered office and principal place of business is No. 6005, Shennan Road, Fu Tian District, Shenzhen, Guangdong, the PRC. The principal activities of the Target Group are the provision of property management services and other related services.

The Financial Information is presented in Renminbi (''RMB''), which is the same as the functional currency of the Target Company. The Financial Information for the Relevant Periods is prepared solely for the purpose of including the financial information of the Target Group in the circular of Colour Life in connection with the proposed acquisition of 100% equity interests of the Target Company by Colour Life.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'')

The HKICPA has issued a number of amendments to standards and interpretations which are effective for the Target Group's financial period beginning on 1 January 2014. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied all HKFRSs which are applicable to the Group's financial period beginning on 1 January 2014 throughout the Relevant Periods.

The Target Group has not early applied the following new standards and amendments to standards that have been issued but are not yet effective during the Relevant Periods.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 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 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 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, 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 recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Target Company anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Target Group's financial assets and financial liabilities as at 31 December 2014. However, it is not practicable to provide a reasonable estimate of the effect until the Target Group performs a detail review.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, 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 those goods or 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.

The directors of the Target Company are still in the process of assessing the impact of adoption of HKFRS 15 to the Target Group and hence it is not practicable to provide a reasonable estimate of the effect until a detailed review has been performed.

Except for the above impact, the directors of the Target Company do not anticipate that the application of other new and revised HKFRSs will have significant impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below, which conform with the HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and/or its subsidiaries. Control is achieved when the Target Company:

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Retirement benefit costs

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

Revenue recognition

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

The Target Group charged property management fees in respect of the property management services on a lump sum basis and on a commission basis. Revenue is recognised when services are provided.

Property management fees charged on a lump sum basis and pre-sale property management services

On a lump sum basis, the Target Group are entitled to retain the full amount of received property management fees. From the property management fees, the Target Group pay out our expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overhead covering the common areas. During the term of the contract, if the amount of property management fees the Target Group collect is not sufficient to cover all the expenses incurred, the Target Group is not entitled to request the property owners to pay the shortfall.

On a lump sum basis, the Target Group recognises as revenue the full amount of property management fees the Target Group charged to the property owners when services are provided, and recognises the expenses as costs of services the Target Group incurred in connection with performing our services.

Property management fee charged on a commission basis

On a commission basis, the Target Group is entitled to only a pre- determined percentage (typically 10%) of the property management fees the property owners are obligated to pay. The remainder of the management fee is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period, and the balance is added to receipts on behalf of residents on the statement of financial position. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Target Group may need to make up for the shortfall and pay on behalf of the community management offices and property owners first, with a view to recovering from the residents or property owners subsequently.

On a commission basis, the Target Group essentially acts as an agent of the property owners and accordingly, the Target Group only recognises as its revenue the pre-determined percentage of property management fees when services are provided.

Parking management service fee is recognised when services are provided (i.e. on a straight-line basis over the contractual period).

Other related service fee is recognised in accordance with the contractual term when the services are rendered.

Interest income

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

Taxation

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

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

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

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weight average method. Net realised value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an assets if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, payment on behalf of residents under lump sum basis, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at FVTPL

The Group's financial assets at FVTPL represent those designated at FVTPL on initial recognition. A financial asset may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire consolidated contract (asset or liability) to be designated at FVTPL.

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets designated at FVTPL, of which interest income is included in other gains and losses.

Impairment loss of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity Instrument

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

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Leasing

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

Leasehold land and building

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

To the extent the allocation of the lease payment can be made reliably, interest in the leasehold land that is accounted for as on operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, 2013 and 2014, the carrying amounts of the Target Group's trade receivables are approximately RMB46,176,000, RMB52,456,000 and RMB62,037,000, respectively, net of allowance for bad and doubtful debt of approximately RMB2,143,000, RMB5,863,000 and RMB11,596,000, respectively.

Useful lives of property, plant and equipment

The Target Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. The carrying amount of property, plant and equipment at 31 December 2012, 2013 and 2014 were approximately RMB17,765,000, RMB20,688,000, RMB21,523,000, respectively.

5. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of equity attributable to owners of the Target Company comprising paid-in capital and reserves.

The management of the Target Group reviews the capital structure regularly. The Target Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through new share issues and the issue of new debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	144,051	196,608	185,137
Financial assets designated at FVTPL	38,034	46,905	69,007
Financial liabilities			
Amortised cost	31,651	38,837	36,876

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include financial assets designated at FVTPL, trade and other receivables, bank balances and cash, trade and other payables, dividend payable and receipts on behalf of residents. Details of these financial instruments are disclosed in respective notes.

The management of the Target Group monitors and manages the financial risks relating to the operations of the Target Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on bank balances. The Target Group's cash flow interest risk is mainly concentrated on the fluctuation of Benchmark Deposit Rate of the People's Bank of China ("PBOC") for bank balances.

The management considered that interest rate risk in bank balances is insignificant.

Sensitivity analysis

Bank balances

The sensitivity analysis below has been determined based on the exposure to interest rate for the restricted bank deposits and bank balances at the end of the reporting period. A 25 basis points increase or decrease during the years ended 31 December 2012, 2013 and 2014 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the Relevant Periods and all other variables were held constant, the Target Group's profit during the Relevant Periods would increase/decrease as follow:

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
	173	256	219

Other price risks

The Target Group is exposed to price risk mainly through its investment in money market funds. The management manages this exposure by maintaining a portfolio of investments with different risk and return profile. In addition, the directors of the Target Group are responsible for monitoring the price risk and will consider hedging the risk exposure should the need arise.

The price sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period.

If the prices of money market funds had been 2% higher/lower, post-tax profit for the year ended 31 December 2012, 2013 and 2014 would increase/decrease by RMB571,000, RMB704,000, RMB1,035,000, respectively.

Credit risk

At the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The management considers the credit risk exposure in relation to trade receivables of the Target Group is low as the trade receivables are normally settled within 30 days to 180 days after the issue of demand note to residents.

In order to minimise the credit risk, the management of the Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of the outstanding receivables of each community at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The Target Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, e.g. residential communities managed by the Target Group under lump sum basis and commission basis; property developers from pre-sale property management services, customers from parking management services and other related services.

The credit risk on bank balances and investments in money market funds is limited because the counterparties are state-owned banks or a reputable securities corporation with good credit rating in the PRC.

Liquidity risk

In the management of liquidity risk, the Target Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk tables

The following tables detail the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	Total undiscounted cash flows	Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012					
Trade payables	—	13,971	3,069	17,040	17,040
Other payables	—	9,497	—	9,497	9,497
Receipts on behalf of residents	—	5,114	—	5,114	5,114
		28,582	3,069	31,651	31,651
As at 31 December 2013					
Trade payables	—	16,335	2,951	19,286	19,286
Other payables	—	15,188	—	15,188	15,188
Receipts on behalf of residents	—	4,363	—	4,363	4,363
		35,886	2,951	38,837	38,837
As at 31 December 2014					
Trade payables	—	10,397	991	11,388	11,388
Other payables	—	16,454	—	16,454	16,454
Dividend payable	—	6,000	—	6,000	6,000
Receipts on behalf of residents	—	3,034	—	3,034	3,034
		35,885	991	36,876	36,876

(c) Fair value

Fair values of the Target Group's financial assets and financial liabilities are determined as follow:

The investments in money market funds of the Target Group are designated at FVTPL. The fair value of these investments of RMB 38,034,000, RMB46,905,000, RMB 69,007,000 as at 31 December 2012, 2013 and 2014 respectively, are determined based on the unit price provided by the issuing securities corporation, which the Target Group has the right to sell the funds to issuing securities corporation at the quoted price. The fair value is categorised as level 2 under the fair value hierarchy.

The management of the Target Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker ("CODM") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the directors of the Target Group. The operations of the Target Group represents a single operating and reportable segment under HKFRS 8 Operating Segments. The Target Group has been operating in one operating segment, being the property management services and other related services, and financial information has been reviewed by the CODM on consolidated basis as a whole for the purposes of resource allocation and assessment of performance.

Geographical and other entity-wide information

The Target Group's operations are located in the PRC, which is the country of domicile of the Target Group.

The Target Group's revenue is derived solely from its operations in property management services during the Relevant Periods. The Target Group's revenue from external customers is derived solely from its operations in the PRC, and all of the Target Group's non-current assets are located in the PRC by location of assets.

No revenue from transactions with a single external customer amounted to 10% or more of the Target Group's total revenue during the Relevant Periods.

The following is an analysis of the Target Group's revenue by service lines.

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Property management service fees charged on a lump sum basis	217,654	281,715	319,865
Property management service fee charged on a commission basis	5,833	6,350	7,228
Pre-sale property management service fees *(note)*	20,847	23,431	43,322
Parking management service fees	21,467	27,222	34,727
Others	9,856	11,180	11,705
	275,657	349,898	416,847

Note: Pre-sale property management service fees represent the service fees earned from provision of property management services to property developers for units that have not yet sold.

8. OTHER GAINS AND LOSSES AND OTHER INCOME

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Other gains and losses			
Allowance for doubtful debts on trade receivables	(2,143)	(3,720)	(5,733)
Loss on disposal of property, plant and equipment	(24)	(459)	(233)
Gain from changes in fair value of financial assets designated at FVTPL	1,262	1,888	2,600
Others	—	—	(15)
	(905)	(2,291)	(3,381)
Other income			
Bank interest income	680	519	1,312
Unconditional government grants received	39	604	352
Penalty charges to residents	316	419	225
Others	384	568	151
	1,419	2,110	2,040

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("EIT")	5,529	5,496	9,576
Deferred tax *(note 15)*			
Current year	(1,649)	(1,149)	(2,328)
	3,880	4,347	7,248

All of the group entities are located in the PRC and PRC EIT is calculated based on the applicable tax rate of 25% on assessable profits.

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

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	14,562	17,938	28,548
Tax at the PRC EIT rate of 25%	3,641	4,485	7,137
Tax effect of expenses not deductible for tax purpose *(note)*	954	334	762
Tax effect of income not taxable for tax purpose	(316)	(472)	(651)
Utilisation of tax losses previously not recognised	(399)	—	—
Income tax expense	3,880	4,347	7,248

Note: Expenses not deductible for tax purpose mainly represents the expenses with no tax invoices for deduction purpose and welfare and entertainment expenses exceeding the tax deduction limits under the EIT law.

Certain Target Group entities which engaged in property management services (the "PM Entities") have elected to file combined tax return 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 in accordance with relevant local tax regulations in the PRC.

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

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

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fee	—	—	—
Other emoluments			
— salaries and other benefits	1,920	2,770	4,181
— contributions to retirement benefits scheme	268	387	586
— discretionary bonus	3,940	11,646	16,251
	6,128	14,803	21,018

The emoluments of the directors and chief executive are as follows:

Year ended 31 December 2012

	Fee	Salaries and other benefits	Retirement benefit scheme contribution	Discretionary bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zang Shisheng	—	333	46	928	1,307
Mr. Li Lixin	—	427	60	1,091	1,578
Mr. Huang Wei	—	369	52	596	1,017
Mr. Li Changliu	—	288	40	928	1,256
Mr. Geng, Wanling	—	503	70	397	970
	—	1,920	268	3,940	6,128

Year ended 31 December 2013

	Fee	Salaries and other benefits	Retirement benefit scheme contribution	Discretionary bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zang Shisheng	—	432	61	2,082	2,575
Mr. Li Lixin	—	494	69	2,776	3,339
Mr. Huang Wei	—	839	117	2,715	3,671
Mr. Li Changliu	—	396	55	2,082	2,533
Mr. Geng, Wanling	—	609	85	1,991	2,685
	—	2,770	387	11,646	14,803

Year ended 31 December 2014

	Fee	Salaries and other benefits	Retirement benefit scheme contribution	Discretionary bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Zang Shisheng	—	882	124	2,868	3,874
Mr. Li Lixin	—	764	107	3,824	4,695
Mr. Huang Wei	—	957	134	3,824	4,915
Mr. Li Changliu	—	780	109	2,868	3,757
Mr. Geng, Wanling	—	798	112	2,867	3,777
	—	4,181	586	16,251	21,018

Notes: Mr. Zang Shisheng is the Chief Executive of the Target Company, and his emoluments disclosed above include those for services rendered by him as Chief Executive during the Relevant Periods.

Discretionary bonus is determined by reference to the performance of individuals and market trend, which is approved by shareholders of the Target Company.

The five highest paid individuals of the Target Group included 4 directors for the year ended 31 December 2012 and 2013, and 5 directors for the years ended 31 December 2014. The remuneration of the remaining individual for the years ended 31 December 2012 and 2013 is as follow:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Employees			
— salaries and other benefits	299	405	N/A
— contributions to retirement benefits scheme	42	57	N/A
— Discretionary bonus	928	2,082	N/A
	1,269	2,544	N/A

Their emoluments were within the following band:

	2012	**2013**	**2014**
	No. of employees	*No. of employees*	*No. of employees*
HK$1,500,001 to HK$2,000,000	1	—	N/A
HK$3,000,001 to HK$3,500,000	—	1	N/A

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of the Target Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Relevant Periods.

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit has been arrived at after charging:			
Directors' and chief executive's remuneration *(note 10)*	6,128	14,803	21,018
Other staff's remuneration:			
— Salaries and allowance	184,972	237,444	275,237
— Retirement benefits scheme contributions	6,497	7,798	14,479
— Discretionary bonus	9,989	17,119	16,209
Total staff costs *(note 1)*	207,586	277,164	326,943
Auditors' remuneration *(note 2)* (included in administrative expenses)	40	33	2,018
Depreciation for property, plant and equipment	1,744	1,901	2,598

Notes:

(1) Out of the total staff costs, RMB178,067,000, RMB223,833,000 and RMB266,066,000 are recorded in cost of services according to the function of employee for years ended 31 December 2012, 2013 and 2014 respectively. The remaining balances of total staff costs are recorded in administrative expenses for years ended 31 December 2012, 2013 and 2014 respectively.

(2) The auditor's remuneration for year ended 31 December 2014 included approximately RMB1,600,000 for an independent audit of the Underlying Financial Statements.

12. DIVIDENDS

During the years ended 31 December 2012 and 2013, dividend of RMB 5,000,000 and RMB 5,000,000 respectively were paid and recorded as distribution to owners of the Target Company. During the year ended 31 December 2014, dividend of RMB6,000,000 has been declared and recorded as dividend payable as at 31 December 2014 which has been subsequently paid in March 2015.

No dividend per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

The below items of property, plant and equipment are depreciated on a straight-line basis over the following period:

Leasehold land and building	Over the lease term
Furniture, fixtures and equipment	5 years
Motor vehicles	5–10 years

	Leasehold land and building	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2012	17,243	5,766	4,542	27,551
Additions	1,377	981	261	2,619
Disposal	—	(855)	—	(855)
At 31 December 2012	18,620	5,892	4,803	29,315
Additions	3,099	1,136	1,048	5,283
Disposal	—	(1,755)	—	(1,755)
At 31 December 2013	21,719	5,273	5,851	32,843
Additions	2,749	917	—	3,666
Disposal	—	(2,250)	(407)	(2,657)
At 31 December 2014	24,468	3,940	5,444	33,852
ACCUMULATED DEPRECIATION				
At 1 January 2012	3,460	4,293	2,884	10,637
Provided for the year	757	481	506	1,744
Eliminated on disposal	—	(831)	—	(831)
At 31 December 2012	4,217	3,943	3,390	11,550
Provided for the year	847	493	561	1,901
Eliminated on disposal	—	(1,296)	—	(1,296)
At 31 December 2013	5,064	3,140	3,951	12,155
Provided for the year	1,362	432	804	2,598
Eliminated on disposal	—	(2,038)	(386)	(2,424)
At 31 December 2014	6,426	1,534	4,369	12,329
CARRYING VALUES				
At 31 December 2012	14,403	1,949	1,413	17,765
At 31 December 2013	16,655	2,133	1,900	20,688
At 31 December 2014	18,042	2,406	1,075	21,523

15. DEFERRED TAXATION

The following is major deferred tax asset recognised and movements thereon during the Relevant Periods:

	Allowance on doubtful debt	Deductible temporary difference on accrued staff costs and retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	—	—	—
Credit to profit or loss	536	1,113	1,649
At 31 December 2012	536	1,113	1,649
Credit to profit or loss	930	219	1,149
At 31 December 2013	1,466	1,332	2,798
Credit to profit or loss	1,433	895	2,328
At 31 December 2014	2,899	2,227	5,126

16. INVENTORY

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Consumables	267	581	715

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	48,319	58,319	73,633
Less: allowance for doubtful debts	(2,143)	(5,863)	(11,596)
Total trade receivables net of allowance for doubtful debts	46,176	52,456	62,037
Other receivables and prepayments:			
Advances to staff	1,931	3,634	3,861
Payment on behalf of residents under lump sum basis *(note)*	5,310	5,556	6,158
Others	122	451	123
	7,363	9,641	10,142
	53,539	62,097	72,179

Note: The balance represented the amounts paid to the garbage companies and insurance companies on behalf of the residents under lump sum basis. The payments on behalf of the residents will be re-charged to the residents at rate pre-determined between the Target Group and the residents.

Trade receivables are mainly arisen from management and service income under lump sum basis from property management services.

Management and service fee income under lump sum basis from property management services are received in accordance with the terms of the relevant property service agreements. The Target Group allows average credit periods normally 30 days for residential customers and 180 days for commercial customers. The receiving pattern of the management and service income from property management services are normally within 30 days to 180 days after the issuance of demand note to the residents.

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of demand note at the end of each reporting periods:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	19,187	21,011	25,129
31 to 90 days	15,890	21,262	21,310
91 to 180 days	8,233	7,219	11,198
181 to 365 days	2,866	2,964	4,400
	46,176	52,456	62,037

In determining the recoverability of trade receivables from the property management services, the Target Group estimates the recoverable amount of the outstanding receivables of each community managed by the Target Group. Having considered the past collection records, in the opinion of the directors of the Target Company, the trade receivables from property management services are of good credit quality and no further impairment allowance is necessary in respect of the remaining unsettled balances.

Included in the Target Group's trade receivable balance are debtors with aggregate carrying amount of RMB19,395,000, RMB26,269,000 and RMB28,733,000 at 31 December 2012, 2013 and 2014, respectively, which are past due as at the end of the reporting period for which the Target Group has not provided for impairment loss. The Target Group does not hold any collateral over these balances.

Aging of past due but not impaired trade receivables

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	6,077	8,560	8,542
31 to 90 days	7,609	10,559	11,314
91 to 180 days	3,554	4,525	6,324
181 to 365 days	2,155	2,625	2,553
	19,395	26,269	28,733

Movement in the allowance for doubtful debts

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the reporting period	—	2,143	5,863
Impairment losses recognised	2,143	3,720	5,733
Balance at end of the reporting period	2,143	5,863	11,596

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB2,143,000, RMB5,863,000 and RMB11,596,000 as at 31 December 2012, 2013 and 2014 respectively, which have been past due for more than one year and the collection of these receivables may not be recoverable. The Target Group does not hold any collateral over these balances.

18. FINANCIAL ASSETS DESIGNATED AT FVTPL

During the Relevant Periods, the Target Group invested in money market funds issued by a reputable securities corporation. There are no restrictions levied on sales and purchase of these money market funds. The return and principal were not guaranteed by the securities corporation and the value of the funds varies by reference to the performance of the funds' underlying investments comprising mainly debt investments in PRC including government debentures, treasury notes, corporate bonds with AAA credit rating and short-term fixed deposits etc. The investments in money market funds have been designated at FVTPL on initial recognition as the investments are managed and the performance is evaluated on fair value basis by directors of the Target Company, in accordance with the Target Group's investment strategy and information about the money market funds is provided internally on the same basis. As at 31 December 2012, 2013 and 2014, the principal of the Target Group's investments in the money market funds are approximately RMB38,034,000, RMB46,905,000 and RMB69,007,000, respectively.

19. BANK BALANCES AND CASH

The Target Group's bank balances carry interest at rates which range from 0.5% to 1.5% per annum, 0.3% to 0.4% per annum and 0.3% to 0.4% per annum as at 31 December 2012, 2013 and 2014, respectively.

The Target Group collects monies from community residents to establish daily repair and maintenance funds in accordance with the relevant PRC rules and regulations. All of the monies collected are required to be kept in designated bank accounts under the name of related Target Group entities although the monies collected and the related interest income belong to the community residents and the use of the funds is subject to approval by the community residents. As the monies maintained as daily repair and maintenance funds are not controlled by any Target Group entity and no economic benefits are expected to flow to the Target Group entities, they are not recognized as bank balances of the Target Group. As at 31 December 2012, 2013 and 2014, respectively RMB 11,983,000, RMB 10,651,000 and RMB11,452,000 are kept in daily repair and maintenance funds on behalf of the community residents.

All bank balances were denominated in RMB.

20. TRADE AND OTHER PAYABLES AND ACCRUALS

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	17,040	19,286	11,388
Other payables and accruals:			
Management service fees received in advance from customers	45,889	62,554	69,340
Refundable deposits received from customers	9,497	15,188	16,454
Other tax payable	10,888	23,074	31,726
Accrued staff costs and retirement benefit contribution	35,446	55,585	41,853
Other accruals	83	482	331
	101,803	156,883	159,704
Total	118,843	176,169	171,092

The credit period granted by suppliers to the Target Group ranges from 0 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:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	6,138	5,902	1,982
61 to 180 days	2,261	4,340	2,293
181 to 365 days	1,244	1,224	4,365
Over 1 year	7,397	7,820	2,748
	17,040	19,286	11,388

21. RECEIPTS ON BEHALF OF RESIDENTS

The balance represents the current accounts with the property management offices of residential communities managed by the Target Group on a commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily operation 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 group entities. The monies received in advance from the management offices of the residential communities are included in the bank balances of the Target Group as at 31 December 2012, 2013 and 2014. A net payable balance to the property management offices of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Target Group on behalf of the residential communities.

22. PAID-IN CAPITAL

The Target Company was set up on 19 October 2000, with paid-in capital of RMB11,000,000. Capital verification was performed by a certified public accountant firm in the PRC, 深圳恒會計師事務所, on 31 January 2009. There was no movement in the paid-in capital of the Target Company during the Relevant Periods.

The paid-in capital was made by 27 individuals.

23. RETIREMENT BENEFITS SCHEME

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of PRC. The Target Group is required to contribute 13% to 15% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of RMB6,765,000, RMB8,185,000, and RMB15,065,000 for the years ended 31 December 2012, 2013 and 2014, respectively, represented contributions from the continuing operation payable to the scheme.

24. SUBSIDIARIES

(a) Composition of the Target Group

Information about the composition of Target Group at the end of each reporting period is as follows:

Principal activities	Place of incorporation/ registration/ operation	Number of wholly owned subsidiaries held by the Company 2012	2013	2014
Provision of property management services	PRC	3	3	3
Inactive	PRC	2	2	—
		5	5	3

(b) Details of non-wholly owned subsidiary of the Target Group that have material non-controlling interests

The table below show details of the non-wholly owned subsidiary of the Target Group that has material non-controlling interests:

Name of entity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interest 2012	2013	2014	Profit (loss) allocated to non-controlling interests 2012	2013	2014	Accumulated non-controlling interests 2012	2013	2014
		%	%	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ruitai Property Management	PRC	49	49	49	122	69	31	844	913	944
Total								844	913	944

Summarised consolidated financial information in respect of Ruitai Property Management and its wholly owned subsidiary, that has material non-controlling interests is set out below. The summarised consolidated financial information below represented amounts before intragroup eliminations.

Ruitai Property Management and its wholly owned subsidiary

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	5,117	6,197	5,942
Non-current assets	870	777	682
Current liabilities	4,266	5,111	4,696
Non-current liabilities	—	—	—
Equity attributable to owners of the Company	877	950	984
Non-controlling interests	844	913	944

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	27,760	26,094	9,888
Expenses	(27,511)	(25,952)	(9,824)
Profit for the year	249	142	64
Profit attributable to owners of the Company	127	73	33
Profit attributable to non-controlling interests	122	69	31
Net cash (outflow) inflow from operating activities	(2,226)	3,994	55
Net cash outflow from investing activities	—	—	—
Net cash outflow from financing activities	—	—	—
Net cash (outflow) inflow	(2,226)	3,994	55

25. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management personnel including directors of the Target Company during the Relevant Periods was as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	7,087	16,903	20,432
Post-employment benefits	310	444	586
	7,397	17,347	21,018

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

26. FINANCIAL SUMMARY OF THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

	At 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	14,715	14,742	13,823
Deferred tax assets	1,365	1,907	4,359
Interests in subsidiaries	13,723	13,723	12,476
	29,803	30,372	30,658
Current assets			
Inventories	158	478	611
Trade receivables	33,251	42,221	53,298
Other receivables and prepayments	7,745	10,741	11,143
Financial assets designated at FVTPL	38,034	46,905	69,007
Bank balances and cash	59,762	103,369	90,261
	138,950	203,714	224,320
Current liabilities			
Trade payables	15,506	18,288	8,430
Other payables and accruals	73,738	130,211	148,220
Receipts on behalf of residents	5,114	4,363	3,034
Tax liabilities	5,063	5,217	6,578
	99,421	158,079	166,262
Net current assets	39,529	45,635	58,058
Total assets less current liabilities	69,332	76,007	88,716
Net assets	69,332	76,007	88,716
Capital and reserves			
Paid-in capital	11,000	11,000	11,000
Reserves	58,332	65,007	77,716
Total equity	69,332	76,007	88,716

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2012	11,000	1,570	52,733	65,303
Profit and total comprehensive income for the year	—	—	9,029	9,029
Dividend paid	—	—	(5,000)	(5,000)
Transfer	—	903	(903)	—
At 31 December 2012	11,000	2,473	55,859	69,332
Profit and total comprehensive income for the year	—	—	11,675	11,675
Dividend paid	—	—	(5,000)	(5,000)
Transfer	—	1,167	(1,167)	—
At 31 December 2013	11,000	3,640	61,367	76,007
Profit and total comprehensive income for the year	—	—	18,709	18,709
Dividend declared	—	—	(6,000)	(6,000)
Transfer	—	1,860	(1,860)	—
At 31 December 2014	11,000	5,500	72,216	88,716

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Target Group have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for each of the three years ended 31 December 2012, 2013 and 2014.

For the year ended 31 December 2012

Business Review

During the year ended 31 December 2012, the Target Group achieved a revenue of approximately RMB275.7 million, a gross profit of approximately RMB37.8 million and a net profit of approximately RMB10.7 million.

The following table set out an analysis of the Target Group's revenue during the year ended 31 December 2012 by service lines:

	For the year ended 31 December 2012	
	RMB'000	*%*
Property management service fees under lump sum basis	217,654	79.0%
Property management service fees under commission basis	5,833	2.1%
Pre-sale property management service fees	20,847	7.6%
Parking management service fees	21,467	7.8%
Others	9,856	3.5%
	275,657	100.00%

The Target Group's costs of services mainly comprise of staff costs, public utilities, material costs and other direct and indirect costs incurred in the provision of property management services. For the year ended 31 December 2012, cost of services amounted to approximately RMB237.9 million. As a result of the foregoing, the Target Group recorded a gross profit and gross profit margin of approximately RMB37.8 million and 13.7%, respectively.

The Target Group's other losses for the year ended 31 December 2012 amounted to approximately RMB905,000, comprising allowance for doubtful debts on trade receivables of approximately RMB2.1 million and offset by gain from changes in fair value of financial assets designed at FVTPL of approximately RMB1.3 million. The Target Group's other income for the year ended 31 December 2012 amounted to approximately RMB1.4 million, which mainly comprises of bank interest income of approximately RMB680,000 and penalty charges to residents of approximately RMB316,000. The Target Group's administrative expenses for the year ended 31 December 2012 amounted to approximately RMB23.7 million, which primarily comprise of administrative staff costs, office expenses and depreciation for property, plant and equipment. The Target Group's income tax expenses amounted to approximately RMB3.9 million and the effective tax rate is approximately 26.7%. As a result of the foregoing, the Target Group recorded a net profit of approximately RMB10.7 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Target Group had bank balances and cash of approximately RMB92.6 million and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were approximately 1.43 times and 0.63 times respectively. The Target Group had no bank borrowings or long term borrowings on the respective date.

Current assets of the Target Group were approximately RMB184.4 million as at 31 December 2012, other than bank balances and cash, mainly comprise of trade receivables of approximately RMB46.2 million, financial assets designated at fair value through profit or loss of approximately of RMB38.0 million and other receivables and prepayments of approximately RMB7.4 million. Trade receivables of the Target Group mainly arise from fees derived from the provision of property management services provided to residents and property owners. Among the carrying amount of the other receivables and prepayments, there were payment on behalf of residents under lump sum basis, which represented utilities bills paid on behalf of the residents by the Target Group and would be re-charged to the residents at pre-determined rates.

Current liabilities of the Target Group were approximately RMB129.2 million as at 31 December 2012, inclusive of other payables and accruals of approximately RMB101.8 million, trade payables of approximately RMB17.0 million and receipts on behalf of residents of approximately RMB5.1 million. Other payables and accruals mainly included management service fee received in advance and refundable deposits received in advance, other tax payable and accrued staff costs.

Capital Commitments

The Target Group had no capital commitments as at 31 December 2012.

Significant Investment, Material Acquisition and Disposal

As at 31 December 2012, the Target Group had investments in money market funds issued by a securities corporation amounted to approximately RMB38.0 million. Such funds had underlying investments comprising mainly debt investments in PRC government debentures, treasury notes, corporate bonds with AAA credit rating and short-term fixed deposits etc. The return and principal of the funds were not guaranteed, and value of the funds varied with reference to the performance of the underlying investments.

The Target Group did not have any material acquisition and disposal during the year ended 31 December 2012.

Employees and Remuneration Policies

As at 31 December 2012, the Target Group had a total of 2,510 employees in the PRC. The staff cost for the year amounted to approximately RMB207.6 million, comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB200.8 million and approximately RMB6.8 million respectively. The Target Group provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Group Assets

The Target Group did not have any charge on group assets as at 31 December 2012.

Currency and Interest Rate Risks

As the Target Group operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Group generated from fluctuations in exchange rate was remote.

The Target Group was exposed to the cash flow interest rates imposed by the fluctuations in the prevailing market interest rates on restricted bank deposits and bank. Such exposure was limited and mainly concentrated on the on the fluctuation of Benchmark Deposit Rate of the People's Bank of China ("PBOC").

Contingent Liabilities

The Target Group had no material contingent liabilities as at 31 December 2012.

For the year ended 31 December 2013

Business Review

During the year ended 31 December 2013, the Target Group achieved a revenue of approximately RMB349.9 million (2012: approximately RMB275.7 million), a gross profit of approximately RMB48.4 million (2012: approximately RMB37.8 million) and a net profit of approximately RMB13.6 million (2012: approximately RMB10.7 million).

The following table set out an analysis of the Target Group's revenue during the year ended 31 December 2013 by service lines:

	For the year ended 31 December 2013	
	RMB'000	%
Property management service fees under lump sum basis	281,715	80.5%
Property management service fees under commission basis	6,350	1.8%
Pre-sale property management service fees	23,431	6.7%
Parking management service fees	27,222	7.8%
Others	11,180	3.2%
	349,898	100.0%

The Target Group's revenue experienced an increase of approximately 26.9% as compared to the year 2012. The increase was primarily due to the increase in the revenue from property management service fee under lump sum basis as a result of new engagements obtained during the year.

For the year ended 31 December 2013, cost of services of the Target Group were increased by 26.7% from approximately RMB237.9 million for the year ended 31 December 2012 to approximately RMB301.5 million, and the gross profit was increased by approximately 28.10% from approximately RMB37.8 million for the year ended 31 December 2012 to approximately RMB48.4 million. The increase in cost of services and gross profit were in line with the growth of revenue. The gross profit margin remained relatively stable at approximately 13.8% in the year 2013 as compared to 13.7% in the year 2012.

The Target Group's other losses for the year ended 31 December 2013 amounted to approximately RMB2.3 million (2012: approximately RMB905,000). The increase was mainly attributable to the increase in the allowance for doubtful debts on trade receivables in light of the increase in revenue in year 2013. The Target Group's other income for the year ended 31 December 2013 amounted to approximately RMB2.1 million (2012: approximately RMB1.4 million). The increase was mainly attributable to the increase in unconditional government grants in year 2013. The Target Group's administrative expense for the year ended 31 December 2013 increased to approximately RMB30.3 million (2012: approximately RMB23.7 million). The increase was as a result of the business expansion of the Target Group.

The Target Group's income tax expenses amounted to approximately RMB4.3 million (2012: approximately RMB3.9 million) and the effective tax rate is approximately 24.2% (2012: approximately 26.7%). As a result of the foregoing, the Target Group's net profit increased to approximately RMB13.6 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2013, the Target Group had bank balances and cash of approximately RMB136.6 million (2012: approximately RMB92.6 million) and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were approximately 1.32 times and 0.68 times respectively (2012: 1.43 times and 0.63 times respectively). The Target Group had no bank borrowings or long term borrowings on the respective date.

Current assets of the Target Group were approximately RMB 246.2 million (2012: approximately RMB184.4 million) as at 31 December 2013, other than bank balances and cash, mainly comprise of trade receivables of approximately RMB52.5 million (2012: approximately RMB46.2 million), financial assets designated at fair value through profit or loss of approximately RMB46.9 million (2012: approximately of RMB38.0 million) and other receivables and prepayments of approximately RMB9.6 million (2012: approximately RMB7.4 million),. Trade receivables of the Target Group mainly arise from fees derived from the provision of property management services provided to residents and property owners. Among the carrying amount of the other receivables and prepayments, there were payment on behalf of residents under lump sum basis, which represented utilities bills paid on behalf of the residents by the Target Group and would be re-charged to the residents at pre-determined rates.

Current liabilities of the Target Group were approximately RMB186.8 million (2012: approximately RMB129.2 million) as at 31 December 2013, inclusive of other payables and accruals of approximately RMB156.9 million (2012: approximately RMB101.8 million), trade payables of approximately RMB19.3 million (2012: approximately RMB17.0 million) and receipts on behalf of residents of approximately RMB4.4 million (2012: approximately RMB5.1 million). Other payables and accruals mainly included management service fee received in advance and refundable deposits received in advance, other tax payable and accrued staff costs.

Capital Commitments

The Target Group had no capital commitments as at 31 December 2013.

Significant Investment, Material Acquisition and Disposal

As at 31 December 2013, the Target Group had investments in money market funds issued by a securities corporation amounted to approximately RMB46.9 million (2012: approximately RMB38.0 million). Such funds had underlying investments comprising mainly debt investments in PRC government debentures, treasury notes, corporate bonds with AAA credit rating and short-term fixed deposits etc. The return and principal of the funds were not guaranteed, and value of the funds varied with reference to the performance of the investments.

The Target Group did not have any material acquisition and disposal during the year ended 31 December 2013.

Employees and Remuneration Policies

As at 31 December 2013, the Target Group had a total of 3,166 employees (2012: total of 2,510 employees) in the PRC. The staff cost for the year amounted to approximately RMB277.2 million (2012: approximately RMB207.6 million), comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB269.0 million and approximately RMB8.2 million respectively (2012: approximately RMB200.8 million and approximately RMB6.8 million respectively). The Target Group provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Group Assets

The Target Group did not have any charge on group assets as at 31 December 2013.

Currency and Interest Rate Risks

As the Target Group operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Group generated from fluctuations in exchange rate was remote.

The Target Group was exposed to the cash flow interest rates imposed by the fluctuations in the prevailing market interest rates on restricted bank deposits and bank. Such exposure was limited and mainly concentrated on the on the fluctuation of Benchmark Deposit Rate of the People's Bank of China ("PBOC").

Contingent Liabilities

The Target Group had no material contingent liabilities as at 31 December 2013.

For the year ended 31 December 2014

Business Review

During the year ended 31 December 2014, the Target Group achieved a revenue of approximately RMB416.8 million (2013: approximately RMB349.9 million), a gross profit of approximately RMB64.3 million (2013: approximately RMB48.4 million) and a net profit of approximately RMB21.3 million (2013: approximately RMB13.6 million).

The following table set out an analysis of the Target Group's revenue during the year ended 31 December 2014 by service lines:

	For the year ended 31 December 2014	
	RMB'000	*%*
Property management service fees under lump sum basis	319,865	76.7%
Property management service fees under commission basis	7,228	1.7%
Pre-sale property management service fees	43,322	10.4%
Parking management service fees	34,727	8.3%
Others	11,705	2.9%
	416,847	100.0%

The Target Group's revenue experienced an increase of approximately 19.1% as compared to the year 2013. The increase was primarily due to the increase in the revenue from property management service fee under lump sum basis and pre-sale property management service fee as a result of new engagement obtained during the year.

For the year ended 31 December 2014, cost of services of the Target Group were increased by approximately 17.0% from approximately RMB301.5 million for the year ended 31 December 2013 to approximately RMB352.6 million, and the gross profit was increased by approximately 32.9% from approximately RMB48.4 million for the year ended 31 December 2013 to approximately RMB64.3 million. The increase in gross profit was at a faster rate than the increase in revenue, and led to the increase in gross profit margin to approximately 15.4% as compared to 13.8% for the year ended 31 December 2013. This is mainly attributable to higher gross profit margin for the new engagements and improvement in operation efficiency during the year.

The Target Group's other losses for the year ended 31 December 2014 amounted to approximately RMB3.4 million (2013: approximately RMB2.3 million). The increase was mainly attributable to the increase in the allowance for doubtful debts on trade receivables in light of the growth of revenue in year 2014. The Target Group's other income for the year ended 31 December 2014 amounted to approximately RMB2.0 million (2013: approximately RMB2.1 million). The decrease was mainly attributable to a decrease in income from unconditional government grants and penalty charges to residents offset by an increase in bank interest income. The Target Group's administrative expense for the year ended 31 December 2014 increased to approximately RMB34.4 million (2013: approximately RMB30.3 million). The increase was as a result of the business expansion of the Target Group.

The Target Group's income tax expenses amounted to approximately RMB7.2 million (2013: approximately RMB4.3 million) and the effective tax rate is approximately 25.2% (2013: approximately 24.2%). As a result of the foregoing, the Target Group's net profit increased to approximately RMB21.30 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Target Group had bank balances and cash of approximately RMB116.9 million (2013: approximately RMB136.6 million) and the current ratio (total current assets divided by total current liabilities) and the debt to asset ratio (total liabilities divided by total assets) were 1.38 times and 0.65 times respectively (2013: 1.32 times and 0.68 times respectively). The Target Group had no outstanding bank borrowings or long term borrowings on the respective date.

Current assets of the Target Group were approximately RMB 258.8 million (2013: approximately RMB246.2 million) as at 31 December 2014, other than bank balances and cash, mainly comprise of financial assets designated at fair value through profit or loss of approximately RMB69.0 million (2013: approximately of RMB46.9 million), trade receivables of approximately RMB62.0 million (2013: approximately RMB52.5 million) and other receivables and prepayments of approximately RMB10.1 million (2013: approximately RMB9.6 million). Trade receivables of the Target Group mainly arise from fees derived from the provision of property management services provided to residents and property owners. Among the carrying amount of the other receivables and prepayments, there were payment on behalf of residents under lump sum basis, which represented utilities bills paid on behalf of the residents by the Target Group and would be re-charged to the residents at pre-determined rates.

Current liabilities of the Target Group were approximately RMB187.5 million (2013: approximately RMB186.8 million) as at 31 December 2014, inclusive of other payables and accruals of approximately RMB159.7 million (2013: approximately RMB156.9 million), trade payables of approximately RMB11.4 million (2013: approximately RMB19.3 million), receipts on behalf of residents of approximately RMB3.0 million (2013: approximately RMB4.4 million) and dividend payable of approximately RMB6.0 million (2013: nil). Other payables and accruals mainly included management service fee received in advance and refundable deposits received in advance, other tax payable and accrued staff costs.

Capital Commitments

The Target Group had no capital commitments as at 31 December 2014.

Significant Investment, Material Acquisition and Disposal

As at 31 December 2014, the Target Group had investments in money market funds issued by a securities corporation amounting to approximately RMB69.0 million (2013: approximately RMB46.9 million). Such funds had underlying investments comprising mainly debt investments in PRC government debentures, treasury notes, corporate bonds with AAA credit rating and short-term fixed deposits etc. The return and principal of the funds were not guaranteed, and value of the funds varied with reference to the performance of the investments.

The Target Group did not have any material acquisition and disposal during the year ended 31 December 2014.

Employees and Remuneration Policies

As at 31 December 2014, the Target Group had a total of 3,664 employees (2013: total of 3,166 employees) in the PRC. The staff cost for the year amounted to approximately RMB326.9 million (2013: approximately RMB277.2 million), comprising employees' emoluments and retirement benefits scheme contributions of approximately RMB311.8 million and approximately RMB15.1 million respectively (2013: approximately RMB269.0 million and approximately RMB8.2 million respectively). The Target Group provided remuneration packages and benefit schemes to employees in accordance with performance, skills, qualifications and experiences of individuals and prevailing market practice.

Charge on Group Assets

The Target Group did not have any charge on group assets as at 31 December 2014.

Currency and Interest Rate Risks

As the Target Group operated in the PRC and all of their transactions and assets and liabilities were denominated in RMB, the currency risk of the Target Group generated from fluctuations in exchange rate was remote.

The Target Group was exposed to the cash flow interest rates imposed by the fluctuations in the prevailing market interest rates on restricted bank deposits and bank. Such exposure was limited and mainly concentrated on the on the fluctuation of Benchmark Deposit Rate of the People's Bank of China ("PBOC").

Contingent Liabilities

The Target Group had no material contingent liabilities as at 31 December 2014.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out in this Appendix III, which does not form part of the Accountants' Report on 深圳市開元國際物業管理有限公司 as set out in "Appendix II — Financial Information of the Target Group" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of Group" set out in Appendix I and the "Accountants' Report of the Target Group" set out in Appendix II.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation of the unaudited pro forma consolidated financial information of the enlarged group

On 12 February 2015, Colour Life Services Group Co. Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") entered into an equity transfer agreement (the "Agreement") with 27 individuals being the equity interest holders of 深圳市開元國際物業管理有限公司 (the "Vendors") (for identification purpose only, in English, Shenzhen Kaiyuan International Property Management Co., Ltd.") (the "Target Company"), in relation to the very substantial acquisition of the 100% equity interests of Target Company and its subsidiaries (collectively referred to as the "Target Group") (the "Acquisition").

Pursuant to the Agreement, the consideration for the Acquisition is RMB330,000,000 (the "Consideration"). The Acquisition is conditional upon the satisfaction of the conditions set out in the Agreement and the consideration is subject to adjustments set out in the Agreement.

The unaudited pro forma financial information that includes (i) unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, (ii) unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group and (iii) unaudited pro forma consolidated statement of cash flows of the Enlarged Group is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 31 December 2014 for the preparation of the unaudited pro forma consolidated statement of assets and liabilities and 1 January 2014 for the preparation of the unaudited pro forma consolidated results and cash flows of the Enlarged Group.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2014 or at any future date or the results and cash flows of the Enlarged Group for the year ended 31 December 2014 or for any future period.

The unaudited pro forma consolidated financial information for the year ended 31 December 2014 is prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2014 as extracted from the consolidated financial statements set out in the latest published annual report of the Group and (ii) the consolidated statement of financial position of the Target Group at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2014 of the Target Group as extracted from the Accountants' Report of the Target Group set out in Appendix II to this Circular, after making pro forma adjustments to the Acquisition.

(II) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group	The Target Group	Proforma adjustments		Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
Non-current assets					
Property, plant and equipment	67,546	21,523			89,069
Investment properties	29,790	—			29,790
Interests in associates	1,295	—			1,295
Interest in a joint venture	946	—			946
Intangible assets	26,850	—			26,850
Goodwill	105,188	—	228,731		333,919
Trade receivables	4,802	—			4,802
Other receivables and prepayments	5,657	3,239			8,896
Deferred tax assets	5,839	5,126			10,965
Deposits paid for potential acquisitions of subsidiaries	142,661	—			142,661
	390,574	29,888			649,193
Current assets					
Inventories	862	715			1,577
Amounts due from customers for contract works	41,113	—			41,113
Trade receivables	152,662	62,037			214,699
Other receivables and prepayments	69,470	10,142			79,612
Payments on behalf of residents	86,214	—			86,214
Financial assets designated as fair value through profit or loss ("FVTPL")	—	69,007			69,007
Amounts due from fellow subsidiaries	20,157	—			20,157
Amounts due from non-controlling shareholders	14,989	—			14,989
Amounts due from related parties	336	—			336
Pledged/restricted bank deposits	136,323	—			136,323
Bank balances and cash	687,031	116,942	(330,000)	(3,466)	470,507
	1,209,157	258,843			1,134,534

	The Group	The Target Group	Proforma adjustments		Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
Current liabilities					
Amounts due to customers for contract works	8,195	—			8,195
Trade payables	25,975	11,388			37,363
Other payables and accruals	176,252	159,704			335,956
Dividends payables	—	6,000			6,000
Receipts on behalf of residents	72,745	3,034			75,779
Amounts due to fellow subsidiaries	1,777	—			1,777
Amounts due to non-controlling shareholders	5,846	—			5,846
Amount due to an associate	775	—			775
Amount due to a joint venture	94	—			94
Tax liabilities	83,906	7,336			91,242
Borrowings due within one year	127,927	—			127,927
	503,492	187,462			690,954
Net current assets	705,665	71,381			443,580
Total assets less current liabilities	1,096,239	101,269			1,092,773
Non-current liabilities					
Deferred tax liabilities	7,385	—			7,385
Amount due to a non-controlling shareholder	1,572	—			1,572
Borrowings due after one year	18	—			18
Total non-current liabilities	8,975	—			8,975
Net assets	1,087,264	101,269			1,083,798

(III) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	The Group	The Target Group	Proforma adjustment	Unaudited pro forma for the Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Unaudited)*
Revenue	389,287	416,847		806,134
Cost of sales and services	(79,405)	(352,556)		(431,961)
Gross profit	309,882	64,291		374,173
Other gains and losses	(11,943)	(3,381)		(15,324)
Other income	4,241	2,040		6,281
Selling and distribution expenses	(1,687)	—		(1,687)
Administrative expenses	(92,864)	(34,402)	(3,466)	(130,732)
Expenses recharged to residential communities under commission basis	20,029	—		20,029
Finance costs	(1,920)	—		(1,920)
Listing expenses	(16,282)	—		(16,282)
Changes in fair value of investment properties	1,941	—		1,941
Share of results of associates	58	—		58
Share of results of a joint venture	378	—		378
Profit before tax	211,833	28,548		236,915
Income tax expense	(61,347)	(7,248)		(68,595)
Profit for the year	150,486	21,300		168,320
Profit for the year attributable to:				
— Owners of the Company	145,675	21,269		163,478
— Non-controlling interests	4,811	31		4,842
	150,486	21,300		168,320

(IV) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group	The Target Group	Proforma adjustments		Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
NET CASH FROM OPERATING ACTIVITIES	57,187	2,202			59,389
INVESTING ACTIVITIES					
Interest received	1,308	1,312			2,620
Acquisitions of subsidiaries	(31,796)	—	(193,404)	(3,466)	(228,666)
Dividend received from an associate	360	—			360
Consideration received on disposal of subsidiaries in prior year	1,630	—			1,630
Purchase of property, plant and equipment	(50,003)	(3,666)			(53,669)
Proceeds of disposal of property, plant and equipment	5,429	—			5,429
Deposit paid for potential acquisition of subsidiaries	(142,661)	—			(142,661)
Capital injection to an associate	(490)	—			(490)
Increase in restricted bank deposits	(135,326)	—			(135,326)
Advance to a customer	(12,000)	—			(12,000)
Repayment form a customer	1,752	—			1,752
Repayment from the immediate holding company	1	—			1
Repayment from a fellow subsidiary	29,377	—			29,377
Advances to fellow subsidiaries	(18,539)	—			(18,539)
Repayment from a related party	967	—			967
Repayment from a non-controlling shareholder	26,901	—			26,901
Advances to non-controlling shareholders	(11,370)	—			(11,370)
Advance to a former shareholder of a subsidiary	(3,202)	—			(3,202)
Purchase of financial assets designated as FVTPL	—	(68,002)			(68,002)
Redemption of financial assets designated as FVTPL	—	48,500			48,500
NET CASH USED IN FROM INVESTING ACTIVITIES	(337,662)	(21,856)			(556,388)

	The Group	The Target Group	Proforma adjustments		Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Unaudited)*
FINANCING ACTIVITIES					
Interest paid	(1,557)	—			(1,557)
Repayments of bank borrowings	(162)	—			(162)
Bank borrowing raised	127,730	—			127,730
Advances from fellow subsidiaries	1,697	—			1,697
Capital contribution from a non-controlling shareholder	588	—			588
Repayment to fellow subsidiaries	(36,639)	—			(36,639)
Repayment to immediate holding company	(1,428)	—			(1,428)
Repayment to an associate	(1,612)	—			(1,612)
Advance from non-controlling shareholders	7,416	—			7,416
Repayment to non-controlling shareholders	(3,043)	—			(3,043)
Dividend paid to non-controlling shareholders	(526)	—			(526)
Net proceeds in issue of new shares upon initial public offering	728,929	—			728,929
NET CASH FROM FINANCING ACTIVITIES	821,393	—			821,393
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	540,918	(19,654)			324,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	146,113	136,596	(136,596)		146,113
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	687,031	116,942			470,507

Notes:

1. The amounts are extracted from the latest published consolidated financial statements of the Group for the year ended 31 December 2014.

2. The amounts are extracted from the Accountants' Report on the Target Group for the year ended 31 December 2014 as set out in Appendix II to this Circular.

3. Pursuant to the Agreement, the Consideration of Acquisition is RMB330,000,000 which will be settled in cash. According to the Agreement, if the net asset value of the Target Group as at 31 December 2014 based on the audited consolidated financial statements of the Target Group is less than that as shown in the unaudited consolidated accounts of the Target Group as at 31 October 2014 provided by the Target Group by more than 10%, the Consideration shall be reduced by the same amount of shortfall in the net asset value of the Target Group. As the net asset value of the Target Group as at 31 December 2014 is not lowered than 10% of the net asset value of the Target Group as at 31 October 2014, there is no adjustment required to the Consideration accordingly.

   For the purposes of the preparation of the pro forma financial information of the Enlarged Group, the Consideration of RMB330,000,000 is adjusted entirely by reducing 'bank balances and cash'. The Directors of the Company expect the Acquisition will be financed by a combination of a) bank borrowings and b) Group's internal financial resources. Up to the date the unaudited pro forma financial information of the Enlarged Group is authorised to issue, the Group has not yet been granted the relevant banking facility. With this premise, the pro forma financial information may be different from the actual results as the Group may incur finance costs arising from bank borrowings.

   The pro forma net cash outflows of Acquisition is RMB193,404,000 which represents the Consideration of RMB330,000,000 less bank balances and cash of the Target Group acquired as at 1 January 2014 of RMB135,596,000.

   The difference between the Consideration of RMB330,000,000 for the Acquisition of the entire equity interest of the Target Group and the carrying amount of the net assets acquired of the Target Group at 31 December 2014 of RMB101,269,000, amounted to RMB228,731,000, is recorded as goodwill of the Enlarged Group. For the purposes of the preparation of the pro forma financial information, it is assumed that the fair value of the net identifiable assets acquired is equal to the carrying amount of the net assets acquired recorded by the Target Group. Since the purchase price allocation of the Consideration in accordance with HKFRS 3 Business Combination is not complete and the fair values of identifiable assets and liabilities of the Target Group acquired may change at the actual date of completion of the Acquisition, the amount of goodwill recognised by the Group may be different.

   The Directors of the Company have assessed whether there is any impairment on the goodwill recorded in accordance with the requirements set out in HKAS 36 Impairment of Assets and concluded that there is no impairment in respect of the goodwill. The Directors of the Company confirmed that they will apply consistent accounting policies and principal assumptions to assess the impairment of the provisional goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36.

4. The adjustment represents estimated expenditures incurred directly in connection with the Acquisition which is charged to profit or loss of the Group including legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately RMB3,466,000.

(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

16 May 2015

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2014, the pro forma consolidated statement of profit or loss and other comprehensive income, the pro forma consolidated statement of cash flows for the year ended 31 December 2014 and related notes as set out on pages III-3 to III-8 of the circular issued by the Company dated 16 May 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition of the 100% equity interests of 深圳市開元國際物業管理有限公司 (for identification purpose only, in English, Shenzhen Kaiyuan International Property Management Co., Ltd.) on the Group's assets and liabilities as at 31 December 2014 as if the transaction had taken place at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place at 1 January 2014. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting

Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company, including their respective associates in the equity or equity securities of the Company or its associated corporations (within the meanings of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

Interests in ordinary Shares of the Company:

Name	Capacity	Number of shares held	Percentage to issued share capital of the Company as at the Latest Practicable Date
			(%)
		(Note 1)	*(Note 2)*
Mr. Tang Xuebin *(Note 3)*	corporate interest	215,981,477 (L)	21.60

Notes:

1. The letter "L" denotes long positions in the Shares and the letter "S" denotes short positions in the Shares.

2. Based on 1,000,003,000 Shares in issue as at the Latest Practicable Date.

3. Mr. Tang Xuebin is interested in 43.34% shares in Colour Success Limited ("Colour Success") which in turn wholly-owned Splendid Fortune Enterprise Limited ("Splendid Fortune"). Mr. Tang Xuebin is therefore deemed to be interested in the 215,981,477 Shares held by Splendid Fortune for the purpose of Part XV of the SFO.

Interests in options granted by the Company to subscribe Shares of the Company (Note):

Name	**Number of shares subscribed upon full exercise of share options**	**Percentage to issued share capital of the Company as at the Latest Practicable Date** *(%)*
Mr. Tang Xuebin	998,940	0.10
Mr. Dong Dong	926,300	0.09
Mr. Zhou Qinwei	590,800	0.06
Mr. Pan Jun	1,075,440	0.11
Mr. Lam Kam Tong	330,000	0.03
Mr. Tam Chun Hung, Anthony	330,000	0.03
Dr. Liao Jianwen	330,000	0.03
Mr. Xu Xinmin	330,000	0.03

Note: these represent those options granted to Directors on 29 September 2014 and 30 April 2015 to subscribe for Shares in the Company subject to vesting schedules. Mr. Zhou Hongyi, whose appointment as a director became effective on 15 May 2015, was granted options to subscribe for 180,000 shares of the Company on 30 April 2015. Please refer to the Company's announcements dated 29 September 2014 and 30 April 2015 for details of these grants.

Interests in ordinary shares of associated corporations of the Company:

Name	Name of associated corporations	Capacity	Number of ordinary shares and nature of interest: Equity interest/ number of underlying shares	Approximate percentage of equity interest/ shareholding interest (%)
Mr. Pan Jun	Shenzhen Caizhiyun Network Technology Co., Ltd. ("Caizhiyun Network") *(Note 1)*	Beneficial owner	RMB7,000,000	70
	Fantasy Pearl International Limited ("Fantasy Pearl") *(Note 2)*	Corporate interest	20	20
	Fantasia *(Note 3)*	Beneficial owner	9,980,000	0.17
Mr. Tang Xuebin	Caizhiyun Network *(Note 1)*	Beneficial owner	RMB3,000,000	30
	Fantasia *(Note 3)*	Beneficial owner	1,640,000	0.03
Mr. Lam Kam Tong	Fantasia *(Note 3)*	Beneficial owner	2,770,000	0.05
Mr. Dong Dong	Fantasia *(Note 3)*	Beneficial owner	560,000	0.01

Notes:

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

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive of Colour Life or their respective associates) or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interest in Shares of the Company

Name	**Capacity**	**Number of shares held**	**Approximate Percentage to issued share capital of the Company as at the Latest Practicable Date** *(%)*
Fantasia	Beneficial owner *(Notes 1 and 4)*	534,018,523	53.40
Fantasy Pearl	Corporate interest *(Notes 2 and 4)*	534,018,523	53.40
Ice Apex	Corporate interest *(Notes 3 and 4)*	534,018,523	53.40
Ms. Zeng Jie, Baby	Corporate interest *(Notes 3 and 4)*	534,018,523	53.40
Splendid Fortune	Beneficial owner *(Note 5)*	215,981,477	21.60
Colour Success	Corporate interest *(Note 5)*	215,981,477	21.60

Notes:

1. Fantasia is owned as to 57.35% by Fantasy Pearl.

2. Fantasy Pearl is owned as to 80% by Ice Apex and Ice Apex is therefore deemed to be interested in the Shares indirectly held by Fantasy Pearl for the purpose of Part XV of the SFO.

3. Ice Apex is wholly-owned by Ms. Zeng Jie, Baby. Ms. Zeng is deemed to be interested in the Shares indirectly held by Ice Apex.

4. These include 30,061,741 Shares which are the subject of the two share subscription agreements entered into with First Shanghai Securities Limited and China Bowen Capital Management Co., Ltd. in which Fantasia has a right of first refusal.

5. Splendid Fortune is wholly owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of Colour Life or their respective associates) had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save that Mr. Pan Jun and Mr. Lam Kam Tong, both being non-executive Directors, are also executive directors of Fantasia, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group, and since 31 December 2014 (the date to which the latest published 2014 full year results of the Group were made up), none of the Directors is directly or indirectly interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, except that Mr. Pan Jun and Mr. Lam Kam Tong, both being non-executive Directors, are also executive directors of Fantasia.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published 2014 full year results of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualification of the expert who has given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, the expert identified above has no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert identified above had no direct or indirect interests in any assets which have been, since 31 December 2014 (the date to which the latest published 2014 full year results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The expert identified above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(a) the Agreement;

(b) an equity transfer agreement dated 25 June 2013 for the transfer of 90% equity interests in Nanjing Jinjiang Property Management by Mr. Yu Youzhong (俞有忠), Mr. Zhang Caibing (張才兵), Mr. Yu Shengming (俞聖明) and Ms. Xu Yuting (許玉婷) to Shenzhen Colour Life Services Group Company Limited (深圳市彩生活服務集團有限公司)("Shenzhen Colour Life") for a total consideration of RMB9,880,000;

(c) an equity transfer agreement dated 28 June 2013 for the transfer of 70% equity interests in Shanghai Xinzhou Property Management by Ms. Mao Yiqing (毛逸清) to Shenzhen Colour Life for a consideration of RMB13,880,000;

(d) an equity transfer agreement dated 30 June 2013 for the transfer of 80% equity interests in Wuxi Taihu Garden Property Management by Wuxi Taihu Garden Real Estate Management Co., Ltd. (無錫市太湖花園房地產經營有限公司) to Shenzhen Colour Life for a consideration of RMB3,200,000;

(e) a share subscription agreement dated 29 May 2013 entered into between First Shanghai Securities Limited and the Company pursuant to which First Shanghai Securities Limited agreed to subscribe for and on behalf of the Investors (as defined therein), 69,760 Shares for a total consideration of HK$46,574,400;

(f) a share subscription agreement dated 29 May 2013 entered into among China Bowen Capital Management Co., Ltd., Fantasia, Splendid Fortune enterprise Limited and the Company pursuant to which China Bowen Capital Management Co., Ltd. agreed to subscribe for 13,752 Shares for a total consideration of HK$7,762,400;

(g) an exclusive management and operation agreement dated 16 June 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service Co., Ltd. (深圳市彩生活網絡服務有限公司) ("Shenzhen Colour Life Network Service") and Shenzhen Caizhiyun Network Technology Co., Ltd (深圳市彩之雲網絡科技有限公司) ("Shenzhen Caizhiyun Network") pursuant to which Shenzhen Caizhiyun Network has agreed to pay a service fee to Shenzhen Colour Life Network Service on an annual basis and Shenzhen Colour Life Network Service is entitled to the revenue generated by Shenzhen Cauzhiyun Network after deducting all relevant costs and expenses (including taxes), losses and related reserve funds;

(h) a call option agreement dated 16 June 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network under which Mr. Pan and Mr. Tang agreed to irrevocably grant to Shenzhen Colour Life Network Service or its designee an exclusive right to acquire all or part of the equity interest held by each of them in Shenzhen Caizhiyun

Network to the extent permitted by relevant PRC laws and regulations, at a consideration payable by Shenzhen Colour Life Network Service shall be the lowest amount permissible under the applicable PRC law;

(i) a shareholders' rights entrustment agreement dated 16 June 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network;

(j) an equity pledge agreement dated 16 June 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network in respect of pledging by Mr. Pan and Mr. Tang of their respective entire equity interests in Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service;

(k) a power of attorney dated 16 June 2014 entered into between Mr. Pan Jun (潘軍), Mr. Tang Xuebin (唐學斌), Shenzhen Colour Life Network Service and Shenzhen Caizhiyun Network;

(l) a cornerstone investment agreement dated 16 June 2014, entered into by and among the Company, Qihoo 360 Technology Co. Ltd., Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司) and Merrill Lynch International pursuant to which Qihoo 360 Technology Co. Ltd. agreed to subscribe for Shares for a consideration of US$10 million;

(m) a deed of indemnity dated 11 June 2014 given by Fantasia in favour of the Company (for itself and as trustee for each of its subsidiaries) in respect of amongst others, taxation and other claims;

(n) a deed of non-competition dated 11 June 2014 given by Fantasia in favor of the Company; and

(o) an underwriting agreement dated 16 June 2014 entered into between, among others, the Company, Fantasia, Merrill Lynch Far East Limited, Guotai Junan Capital Limited, Merrill Lynch International, Guotai Junan Securities (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, First Shanghai Securities Limited, China Everbright Securities (HK) Limited, Great Roc Capital Securities Limited and Yuanta Securities (Hong Kong) Company Limited in relation to part of the initial public offering of the Company's Shares on the Stock Exchange.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:00 p.m. (save for Saturday and public holidays) at principal place of business of the Company in Hong Kong at Room 1202–03, New World Tower 1, 16–18 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM (save for Saturday and public holidays):

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the year ended 31 December 2014;

(c) contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular; and

(f) the letters of consent from the expert identified in the section headed "Qualification and Consent of Experts" above in this appendix.

10. GENERAL

(a) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

(b) The company secretary of the Company is Ms. Cheng Pik Yuk. Ms. Cheng is a fellow of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and is a holder of the Practitioner's Endorsement of the HKICS.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Colour Life Services Group Co., Limited (the "Company") will be held at 12th Floor, Colour Life Building, Meilong Road, Liuxian Avenue, Long Hua District, Shenzhen, PRC on Thursday, 4 June 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(1) the transactions contemplated under the conditional equity transfer agreement (the "Agreement", a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) dated 12 February 2015 entered into among all shareholders of 深圳市開元國際物業管理有限公司(Shenzhen Kaiyuan International Property Management Co., Ltd.*, the "Target Company"), as vendors ("Vendors"), and Shenzhen Colour Life Services Group Company Limited (深圳市彩生活服務集團有限公司), an indirect wholly owned subsidiary of the Company, as purchaser ("Purchaser"), in relation to, among other things, the sale by the Vendors and the Purchaser of the entire equity interests of the Target Company at a consideration of RMB330 million (subject to adjustments pursuant to the Agreement), further details of which are set out in the circular of the Company dated 16 May 2015, be and are hereby approved, confirmed and ratified; and

(2) any one and all directors of the Company be and are hereby authorized to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Agreement including without limitation to:

   (a) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Agreement; and

(b) the taking of all necessary actions to implement the transactions contemplated under the Agreement."

By Order of the Board
Colour Life Services Group Co., Limited
TANG Xuebin
Executive Director and
Chief Executive Officer

Hong Kong, 16 May 2015

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. A form of proxy for the extraordinary general meeting is enclosed. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any), under which the form is signed must be deposited at the Company's branch 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 not less than 48 hours before the time fixed for holding the meeting.

3. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the shareholders of the Company so wish. In such event, the instrument appointing the proxy shall be deemed to be revoked.

4. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. A member of the Company entitled to more than one vote needs not, if he votes on a poll, use all his votes or cast all the votes he uses in the same way.

6. The resolution is to be voted by way of poll.

7. For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming extraordinary general meeting to be held on 4 June 2015, the register of members of the Company will be closed on Wednesday, 3 June 2015 to Thursday, 4 June 2015, both days inclusive. In order to qualify for attending and voting at the meeting, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2015 or any adjournment thereof.

As at the date of this notice, the board of directors comprises Mr. TANG Xuebinm, Mr. DONG Dong and Mr. ZHOU Qinwei 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.

* *for identification purpose only*