



Stock code: 1778

2018
INTERIM
REPORT
SERVICE TO YOUR FAMILY



Colour Life Services Group Co., Limited

Contents

Corporate Information	2
Honors and Awards	3
Chairman's Statement	4
Management Discussion and Analysis	7
Business Overview	7
Financial Review	20
Corporate Governance and Other Information	27
Disclosure of Interests	33
Report on Review of Condensed Consolidated Financial Statements	36
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	37
Condensed Consolidated Statement of Financial Position	39
Condensed Consolidated Statement of Changes in Equity	42
Condensed Consolidated Statement of Cash Flows	44
Notes to the Condensed Consolidated Financial Statements	46

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Xuebin
(Chief Executive Officer)
Mr. Dong Dong
Mr. Huang Wei

Non-executive Directors

Mr. Pan Jun (Chairman)
Mr. Zhou Hongyi

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chak Wai Ting

AUTHORISED REPRESENTATIVES

Mr. Tang Xuebin
Ms. Chak Wai Ting

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("THE PRC")

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

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

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

STOCK CODE

The Stock Exchange of Hong Kong
Limited: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

Bank of China Limited
Industrial and Commercial Bank of
China Limited

Honors and Awards

1. In June 2018, Colour Life Services Group Co., Limited (the “Company”, with its subsidiaries, hereafter referred to as the “Group”) was honoured as the “2009–2018 (10 Consecutive Years) Top 100 Property Management Companies of China” by China Index Academy.
2. In June 2018, the Group was honoured as the “2018 China Specialized Property Service Company – Intelligent Community” by China Index Academy.
3. In June 2018, the Group was honoured as the “2018 China Leading Property Management Companies in terms of Customer Satisfaction” by China Index Academy.
4. In June 2018, the Group was honoured as the “2018 China Top 10 Property Management Companies in terms of Growth Potential” by China Index Academy.
5. In June 2018, the Group was honoured as the “2018 China Top 10 Property Management Companies in terms of Business Size” by China Index Academy.



Chairman's Statement



Dear Shareholders,

Differentiating from the “property management” companies in the traditional sense, Colour Life is an enterprise that strives to provide a “better community lifestyle” in community scenarios and on family unit basis, coinciding with the idea of “service to your family” without any changes since its incorporation. This positioning has driven Colour Life for 16 years and produced remarkable operating results. In the first half of 2018, Colour Life provided services to around 10 million families. It had 14.5 million registered users with transaction amount of RMB4,357.8 million. Together with our cooperating partners in ecosystem and the families in our community, we jointly devoted efforts in “promoting community lifestyle and also economic prosperity in community”.

In 2018, Colour Life achieved significant progress. On the one hand, the business transformation of the Group has gradually been proved, value-added services becoming the core driving force for the growth of performance. In 2018, the coverage of diversified value-added services continued to expand rapidly across the country, further driving the growth of performance as a whole. At the same time, Wanxiangmei Property Management Co., Ltd. (“WXM”, formerly known as “Wanda Property Management Co., Ltd.”) was officially incorporated into Colour Life in March 2018. As a result of the above, for the six months ended 30 June 2018, the Group’s revenue and net profit attributable to its parent company recorded year-on-year increases of 135.3% and 74.1% to RMB1,756.9 million and RMB175.3 million, respectively.

Chairman's Statement

BUILDING A COMPREHENSIVE COMMUNITY SERVICE PLATFORM THROUGH THE OVERALL INTEGRATION OF WXM

WXM is a comprehensive property management company that serves various industries, including residence and commerce. Thanks to the Group's transformation and leadership, WXM achieved substantial increases in both revenue and profits, enhancing our flexibility towards different types of properties and laying a solid foundation for our development in diversified business natures. Colour Life extends the coverage of community service industry to such commercial properties as SOHO and office buildings, complementing to the existing residential properties satisfactorily. As of 30 June 2018, Colour Life's contracted area under management increased by 48 million sq.m. to 484.0 million sq.m. as compared to the end of 2017, while the number of communities in which services are provided in China increased by 171 to 2,555 as compared to the end of 2017.

Besides, the Group's platform output strategy has also achieved realization of results. The Colour Life-featured community value-added business has been further refined, the influence and efficiency brought by the platform is bearing fruit. As of 30 June 2018, Colour Life cooperated with property management companies, and the area under cooperation increased by 33.2 million sq.m. to 247.4 million sq.m. as compared to the end of 2017.

As of 30 June 2018, the platform service area reached 981.4 million sq.m., which included 484.0 million sq. m. of contracted area under management and 497.4 million sq. m. of cooperation area. Colour Life is gradually becoming a comprehensive national community service platform with multiple brands, wide coverage and diversified business natures.

ACHIEVING BREAKTHROUGHS IN INNOVATION AND PURSUING CONSTANT EVOLUTION IN PLATFORM-FOCUSED STRATEGY

As an industry that provides aftermarket services for real estate, the community service industry possesses the characteristics of public service. The services are provided to all households and involve the daily life of thousands of families, which underlines its importance. However, the public service industry usually suggests low profit margins. Meanwhile, the behavior of "free riders" is not rare in general, that's why we must change our minds and open new paths.

Over the past 16 years, Colour Life has continuously transformed. The first is to shift the management focus in traditional properties management from "properties" to "people", that is the thousands of residents who live in the community, which enhanced the value of the industry. However, how to provide the services to owners? How can a community-based enterprise meet the needs of residents in terms of clothing, food, housing and transportation? In our opinion, it is not the best choice to simply rely on an enterprise's own resources and capabilities to develop diversified operations. Colour Life insists that we should simply serve as a platform and entrance, letting professional cooperation partners to provide services to the owners.

After its listing on 30 June 2014, Colour Life rapidly entered the stage of organic growth + platform expansion. With the aid of the well-established layout in PRC and based on the establishment of local divisions and benchmark projects, Colour Life actively communicated with local developers and owners, laying a foundation for organic growth (i.e being engaged by the developers and owners to manage their projects). Certainly, integration is not always easy. We faced many challenges in terms of service quality, organization integration, project development, etc. Fortunately, we not only successfully completed the integration, but also created positive synergy effects, customer satisfaction, property management fee collection rate and cash flow from operating activities continuing to grow. Meanwhile, a number of our service products, including Colour Wealth Life, E-Energy, E-Parking, E-Repair, are well-received by the owners and started to contribute considerable income and profits. Now, the vague idea conceived 16 years ago gradually lays out a clear roadmap. For the six months ended 30 June 2018, Colour Life's revenue from value-added business amounted to RMB212.3 million, representing a year-on-year increase of 91.7%, and its contribution made up 35.8% of its segment profit, evidencing its leading position in the industry. Colour Life has explored a path of differentiated development.

Chairman's Statement

DEVELOPING CORE PRODUCTS FOR NEW PIONEER OF COMMUNITY SERVICES THROUGH CROSS-INDUSTRY INTEGRATION

It always come into question that why Colour Life is able to become a new pioneer in community service industry? First of all, we have to clarify the premise of natural evolution — harsh external environment. As for the community service industry, the harsh external environment means increasing labor costs and over-stable property management fee. As for Colour Life, the external environment is much more particular. Firstly, it positions as a community service operator for independent third parties, whose area under management are acquired through marketing initiatives. Secondly, Colour Life serves a large number of aged communities and mid-level communities, resulting in lower average property management fees in general. These issues also push us to think about ways and means to solve the problems.

As we said three years ago, the costs of online customer acquisition in mobile Internet has become higher and higher, most O2O companies are bearing high costs for customer acquisition and customer retention. However, there are inherent access points offline — communities. With long experience in providing services, we have clear understanding of the needs of the residents in the communities we serve, and have built up high-trust relationship with the residents. Accordingly, connecting the cooperating partners and the residents with our assistance significantly reduces the costs of customer acquisition for suppliers and saves unnecessary marketing expenses. On the basis of this logic, we boldly proposed that Colour Life's goal is providing excellent property management services without any charges of property management fees to residents in the future.

As at 31 March 2018, with the aid of our core product of "Colour Benefit Life", we have gradually turned this goal into reality. Colour Life cooperates with suppliers who directly serve the households, thereby reducing its costs in customer acquisition. Suppliers return part of the marketing expenses saved as property management fees to households. Residents purchasing daily necessities and services on "Colour Benefit Life" not only can enjoy the same prices as third-party platforms, but also the exemption from property management fees. Colour Benefit Life changes the traditional property management model of providing property services and charging property management fees into a brand new model, in which property management companies provide better property management services; the satisfaction of owners is enhanced; suppliers return property management fees for the purchase of commodities on Colour Benefit Life. Thanks to the product of "Colour Benefit Life", Colour Life has revolutionised the opposing relationship of charging the owners in the past and turned it into a virtuous circle in a win-win situation, thus finally obtained the pricing power of property management fees. As of 30 June 2018, Colour Benefit Life's number of transactions accumulated to 325,400 with accumulated transaction turnover of RMB28,646,900 and accumulated exempted property management fees of RMB12,811,200 for 44,026 households.

KEEPING THE FAITH TO INSIST ON CREATING LONG-TERM VALUE

In the course of the development of the industry, our 16-year efforts are only a drop in the bucket. The road from "property management" to "community service platform" has just begun. Even though we already become the largest community service platform in the world, there is still a lot of room for expansion in each business segment. Additional time is required for us to achieve our final goal of building trust with the owners by transforming from the traditional role of "charging fees" to "housekeeper", further optimizing the ordering system of foundational properties management and expanding the platform value-added services to more dimensions. Our hope is that, in the future, we will never give up our faith to pursue better community lifestyle and create thousands of communities with warm hearts.

SERVICE TO YOUR FAMILY

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is a leading community service platform in the People's Republic of China (the "PRC" or "China"). The Group focuses on setting up offline and online service platform via the internet and effectively linking residents of the community with different commodities and service providers, so as to provide the best residential service for the residents of the community.

The Group has three main business segments:

- Property management services, which primarily include: (i) provision of services to communities under commission basis; (ii) provision of services to communities under lump sum basis; (iii) provision of pre-sale services (also called pre-delivery services) to property developers; and (iv) provision of consultancy services to regional property management companies;
- Community leasing, sales and other value-added services (also referred to as "value-added services"), which primarily include: (i) provision of common area rental assistance services; (ii) provision of online promotion services and leasing information system software; (iii) provision of sales and rental assistance services; and (iv) provision of office sublet and other value-added services; and,
- Engineering services, which primarily include: (i) provision of equipment installation services to property developers in accordance with their requirements; (ii) provision of repair and maintenance services to the communities it manages, provides consultancy services to and cooperates with; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) provision of energy-saving services through the construction implementation, equipment installation and equipment leasing.

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

Management Discussion and Analysis

PROPERTY MANAGEMENT SERVICES

Usually, property developers are required to engage property management companies before they obtain the pre-sale permits. At this stage, property developers usually identify qualified property management companies by way of tender offer, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contract will be integrated into the Group's contracted GFA under management. Property developers will issue a move-in notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of contracted GFA under management will thus be called the revenue-bearing GFA. The difference between the total contract GFA and the revenue-bearing GFA is the reserved GFA which will be transferred to the revenue-bearing GFA in future. On the other hand, the Group adhered to its strategy of rapid expansion in recent years. It started to cooperate with other enterprises in the industry in the underlying technology of Caizhiyun APP. Today, Caizhiyun APP serves not only the communities managed by the Group, but also those of its collaborative partners. The aggregate area of Caizhiyun platform's coverage over communities is collectively referred to as the platform service area.

The Group adheres to its strategy of rapid expansion of the service area of the platform. On 28 February 2018, the Group held an extraordinary general meeting at which the proposed resolution relating to the acquisition of WXM was passed by the independent shareholders. The total consideration included the cash consideration of RMB1,014,174,000 and the issue of 231,500,000 ordinary shares of the Company to Fantasia Holdings. WXM became a wholly-owned subsidiary of the Group. WXM is a comprehensive community services operator, whose projects include ordinary residences, luxury residences and such commercial properties as office buildings and SOHO. After completing the consolidation of WXM's financial statements, Colour Life can not only expand the area under management, but also further enrich the portfolio of management projects, thus creating stronger scale economies effects and synergy effects. At the same time, the Group also focused on driving its organic growth through reputation and brand. As at 30 June 2018, the communities under the Group's management cover 249 cities in China and was well-received by the local markets. Newly engaged management area reached 20.2 million sq.m. in the first half of 2018, demonstrating Colour Life's core competitive strengths on brand reputation, service quality and market expansion.

As at 30 June 2018, GFA under management contracts and consultancy service arrangements of the Group (hereafter referred to as the "**Contracted GFA**") reached 484.0 million sq.m. and the number of communities under the Group's management and consultancy services contracts reached 2,555, representing a year-on-year growth of 15.2% and 9.4%, respectively. As at 30 June 2018, the number of the Group's revenue-bearing GFA reached 333.6 million sq.m. and the number of communities reached 2,062. The Group's management projects cover 249 cities in China and an overseas country (i.e Singapore), achieving rapid expansion of the Contracted GFA.

Management Discussion and Analysis

On the other hand, the transformation of the Group's business structure became more secure with supporting business and financial data. In the first half of 2018, contribution of the community leasing, sales and other value-added services to the Group's segment profit further rose to 35.8%, representing a year-on-year growth of 5.7 percentage points. This stems from the richer portfolios of product companies in the ecosystem as well as better recognition of value-added services by property owners. Under the encouraging development trend of the value-added services, the Group formulated platform output strategy in a timely manner. Through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. As at 30 June 2018, the service area of Colour Life's platform was 981.4 million sq. m., which included 484.0 million sq. m. for the Contracted GFA and 497.4 million sq. m. for cooperation area.

Meanwhile, the Group's "Colour Life Property (彩生活住宅)" model is designed to provide quality property services and facilitate the effective sales of property developers' assets, in turn bringing the Group with better chance of obtaining property management contracts. "Colour Life Property" model mainly targets the real estates that are difficult for property developers to sell, and part of the purchase price paid by home buyers is returned to their Caizhiyun accounts in the form of "meal coupons", which can be used to pay for all the consumption on the Caizhiyun platform, thereby offering cost saving to the home buyers in the future. At the same time, the Group developed an innovative product of "Colour Life Parking Lots (彩車位)", and facilitate the destocking of existing car parking spaces for property developers. For the six months ended 30 June 2018, the accumulated sales of products of "Colour Life Parking Lots" amounted to 2,370 units. The products of "Colour Life Property" and "Colour Life Parking Lots" facilitated good interactions between the Group and property developers, helping the Group to gain the property service resources. On the other hand, it facilitated the accumulation of a large amount of meal coupons returned by property developers to buyers on the Caizhiyun platform. The bonding between products and services, resulted in a strong purchasing power formed by meal coupons on the platform, which attracted more quality providers and business starters to join the platform and in turn drove positive circulation in the ecosystem.

Management Discussion and Analysis

BUSINESS PROCESS OF PROPERTY MANAGEMENT SERVICES

Geographical Presence

As at 30 June 2018, the locations of communities where the Group managed, provided consultancy services and cooperated with were as follows:

Southern China

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

Eastern China

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

Southwestern China

- 109 Chengdu
- 110 Liuzhou
- 111 Dali
- 112 Guilin
- 113 Nanning
- 114 Zigong
- 115 Chongzuo
- 116 Baise
- 117 Guigang
- 118 Zunyi
- 119 Guiyang
- 120 Fangchenggang
- 121 Deyang
- 122 Guang'an
- 123 Laibin
- 124 Lijiang
- 125 Mianyang
- 126 Pingnan
- 127 Suining
- 128 Tongren
- 129 Yizhou
- 130 Chongqing
- 131 Ziyang
- 132 Anshun
- 133 Beihai
- 134 Guanghan
- 135 Kunming
- 136 Guangyuan
- 137 Neijiang
- 138 Duyun
- 139 Fuquan
- 140 Longli
- 141 Majiang
- 142 Bazhong
- 143 Wuzhou
- 144 Bijie
- 145 Emeishan
- 146 Leshan
- 147 Liupanshui
- 148 Qiandongnan
Miao and Dong
Autonomous
Prefecture
- 149 Qinzhou
- 150 Wenshan
- 151 Yulin
- 152 Yibin
- 153 Meitan
- 154 Xishuangbanna

Northeastern China

- 155 Gaizhou
- 156 Harbin
- 157 Huludao
- 158 Shenyang
- 159 Tieling
- 160 Yingkou
- 161 Diaobingshan
- 162 Benxi
- 163 Changchun
- 164 Panjin
- 165 Dalian
- 166 Mudanjiang
- 167 Jixi
- 168 Qiqihar
- 169 Daqing
- 170 Jiamusi
- 171 Fusong
- 172 Fushun
- 173 Dandong
- 174 Chifeng

Northwestern China

- 175 Xi'an
- 176 Yinchuan
- 177 Lanzhou
- 178 Hancheng
- 179 Xining
- 180 Yulin
- 181 Baoji
- 182 Ankang
- 183 Pingliang
- 184 Hanzhong
- 185 Weinan
- 186 Urumqi
- 187 Bayannur

Northern China

- 188 Beijing
- 189 Qinhuangdao
- 190 Tianjin
- 191 Shijiazhuang
- 192 Baotou
- 193 Tongliao
- 194 Wuhai
- 195 Taiyuan
- 196 Tangshan
- 197 Hulunbuir
- 198 Ulanqab
- 199 Langfang
- 200 Datong
- 201 Baoding
- 202 Changzhi
- 203 Hohhot

Central China

- 204 Changsha
- 205 Xinxiang
- 206 Yiyang
- 207 Zhengzhou
- 208 Wuhan
- 209 Chenzhou
- 210 Kaifeng
- 211 Anyang
- 212 Xiangyang
- 213 Jingmen
- 214 Puyang
- 215 Yichang
- 216 Yueyang
- 217 Zhangjiajie
- 218 Zhuzhou
- 219 Huixian
- 220 Luohe
- 221 Xiangtan
- 222 Huanggang
- 223 Changde
- 224 Jingzhou
- 225 Loudi
- 226 Luoyang
- 227 Wugang
- 228 Suizhou
- 229 Nanyang
- 230 Xingyang
- 231 Shangqiu
- 232 Enshi
- 233 Jiaozuo
- 234 Xiangfan
- 235 Hengyang
- 236 Jiyuan
- 237 Qianjiang
- 238 Zhoukou
- 239 Zhumadian
- 240 Xiaogan
- 241 Shaoyang
- 242 Pingdingshan
- 243 Shiyan
- 244 Huaihua
- 245 Yihua
- 246 Jishou
- 247 Yongzhou
- 248 Ruzhou

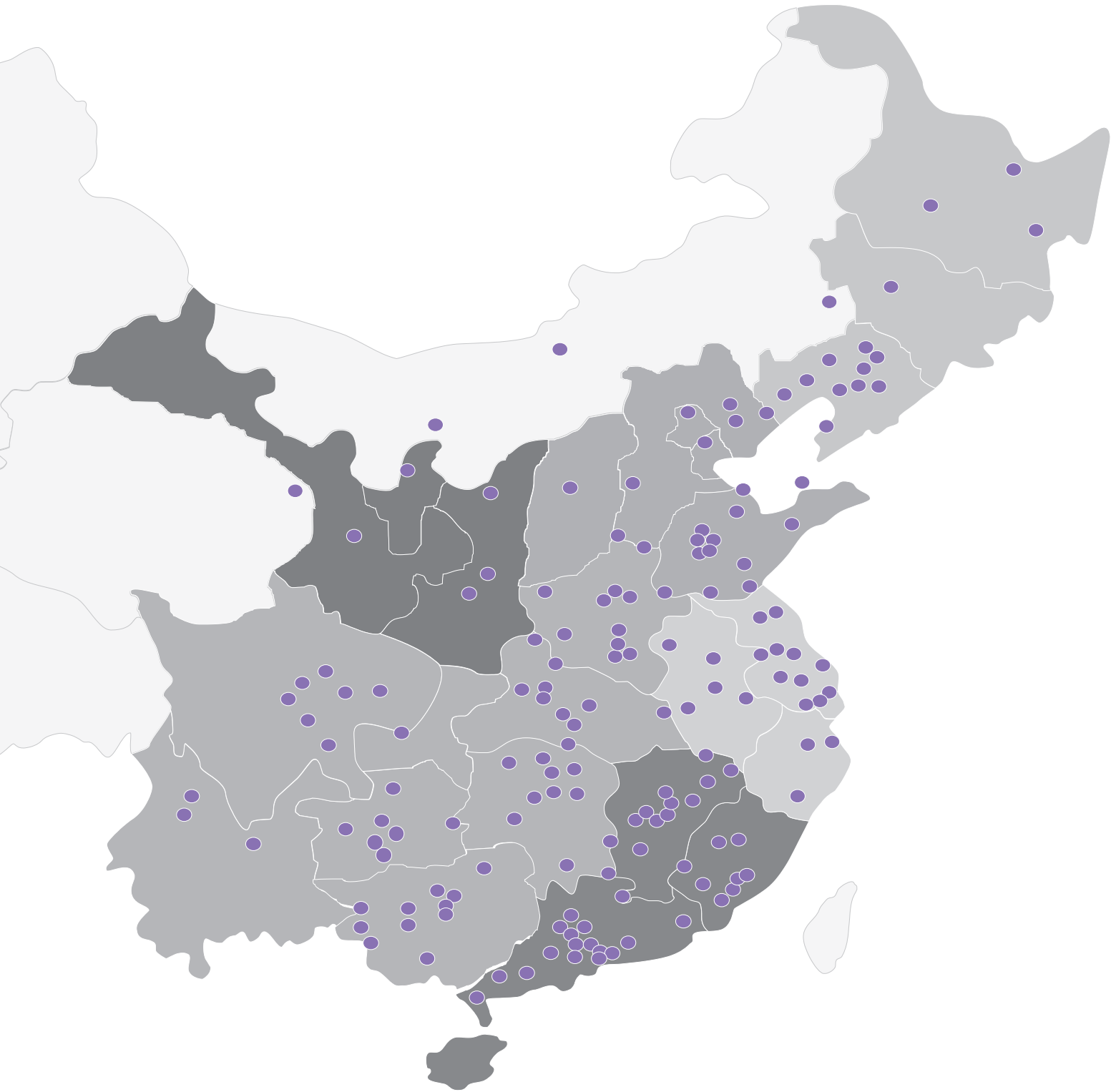
Non-Mainland China

- 249 Hong Kong

Overseas

- 250 Singapore

Management Discussion and Analysis



Management Discussion and Analysis

As at 30 June 2018, the Group recorded a sustained growth in total platform service area. The following table sets out the total contracted GFA and the number of communities where the Group managed, provided consultancy services and entered into cooperation in respect of platform service in different regions across China and overseas country as at the dates indicated below:

	As at 30 June 2018						As at 31 December 2017					
	Managed by the Group		Under the Group's consultancy service		Cooperated with		Managed by the Group		Under the Group's consultancy service		Cooperated with	
			arrangements		the Group				arrangements		the Group	
	Total		Total		Total		Total		Total		Total	
	Contracted		Contracted		Contracted		Contracted		Contracted		Contracted	
GFA	Number	GFA	Number	GFA	Number	GFA	Number	GFA	Number	GFA	Number	
('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		
Shenzhen	9,644	130	753	18	-	-	9,644	130	754	18	-	-
Southern China (excluding Shenzhen) ⁽¹⁾	84,062	535	1,693	7	44,670	292	75,153	508	7,621	23	44,403	288
Eastern China ⁽²⁾	136,626	823	2,019	7	36,182	367	115,318	744	11,357	31	27,534	290
Southwestern China ⁽³⁾	96,944	398	968	3	84,237	357	83,778	352	2,163	6	82,609	352
Northeastern China ⁽⁴⁾	19,875	98	1,216	8	881	5	11,358	59	3,758	17	881	5
Northwestern China ⁽⁵⁾	15,618	82	76	1	37,062	386	14,594	68	275	2	35,313	359
Northern China	27,608	108	2	1	7,622	50	17,853	79	2,585	7	1,942	19
Central China ⁽⁶⁾	85,584	295	300	1	36,717	270	75,543	277	3,202	9	21,548	157
Non-Mainland China	5	2	-	-	-	-	40	16	-	-	-	-
Singapore	987	38	-	-	-	-	988	38	-	-	-	-
Total⁽⁷⁾	476,953	2,509	7,026	46	247,370	1,727	404,269	2,271	31,715	113	214,230	1,470

Notes:

- (1) The Group newly entered Jinjiang, Fuqing and Jiangmen as at 30 June 2018.
- (2) The Group newly entered Shouguang, Xinyi, Rizhao, Qufu, Maanshan, Yixing, Taizhou, Yuyao and Zhuji as at 30 June 2018.
- (3) The Group newly entered Meitan and Xishuangbanna as at 30 June 2018.
- (4) The Group newly entered Jixi, Qiqihar, Daqing, Jiamusi, Fusong, Fushun, Dandong and Chifeng as at 30 June 2018.
- (5) The Group newly entered Bayannur as at 30 June 2018.
- (6) The Group newly entered Yihua, Jishou, Yongzhou and Ruzhou as at 30 June 2018.
- (7) As at 30 June 2018, the Group's platform service area reached 981.4 million sq.m., including the contracted GFA managed by the Group 477.0 million sq.m., the contracted GFA under the Group's consultancy service arrangement 7.0 million sq.m., the contracted GFA cooperated with the Group 247.4 million sq.m. and the GFA under alliance agreement 250.0 million sq.m..

Management Discussion and Analysis

As at 30 June 2018, the Group extended its total contracted GFA coverage to 249 cities in China and 1 overseas country, namely Singapore. As at 30 June 2018, the Group was contracted to manage 2,509 communities with an aggregate contracted GFA of approximately 477.0 million sq.m. and entered into consultancy service contracts with 46 communities with an aggregate contracted GFA of approximately 7.0 million sq.m. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of total contracted GFA and the number of communities where the Group managed, provided consultancy services to and cooperated with during first half year of 2018:

	As at 30 June 2018						As at 31 December 2017					
	Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Total	Number of	Total	Number of	Total	Number of	Total	Number of	Total	Number of	Total	Number of
	Contracted GFA ('000 sq.m.)	residential communities	Contracted GFA ('000 sq.m.)	residential communities	Contracted GFA ('000 sq.m.)	residential communities	Contracted GFA ('000 sq.m.)	residential communities	Contracted GFA ('000 sq.m.)	residential communities	Contracted GFA ('000 sq.m.)	residential communities
As at the beginning of the year	404,269	2,271	31,715	113	214,230	1,470	357,521	2,172	37,599	167	124,445	836
New engagements ⁽¹⁾	20,221	72	-	-	-	-	51,159	133	1,027	3	-	-
Acquisitions ⁽²⁾	36,773	165	-	-	-	-	6,827	54	-	-	-	-
New cooperation ⁽³⁾	-	-	-	-	33,140	257	-	-	-	-	84,080	603
Transfer from consultancy service to self-management ⁽⁴⁾	23,547	65	(23,547)	(65)	-	-	5,362	40	(5,362)	(40)	-	-
Transfer from self-management to consultancy service ⁽⁵⁾	-	-	-	-	-	-	(454)	(1)	454	1	-	-
Transfer from self-management to cooperation ⁽⁶⁾	-	-	-	-	-	-	(5,705)	(31)	-	-	5,705	31
Terminations ⁽⁷⁾	(7,856)	(64)	(1,143)	(2)	-	-	(10,441)	(96)	(2,003)	(18)	-	-
As at the end of the year	476,953	2,509	7,026	46	247,370	1,727	404,269	2,271	31,715	113	214,230	1,470

Notes:

- In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities the Group provided consultancy services to, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- The Group acquired WXM and some other companies in the property management industry in order to expand its managed GFA and gain synergy after the acquisition.
- Through cooperation in platform service, the Group gained minority interests of targeted partners and output its online platform and vertical application services to the partners.
- The Group managed to acquire some of the property management companies to which it provided consultancy service previously, through acquisition of subsidiaries or revision of the service agreement, resulting in the relevant communities under the Group's consultancy service arrangements transferred into those the Group managed. During the reporting period, the Group acquired WXM, so those GFA of WXM under the Group's consultancy services were transferred to the GFA under the Group's self-management.
- The Group ceased to renew certain property management contracts when these contracts expired. However, developers or residents committees may still want to enjoy the Group's services, then the Group can sign an consultant contract with them.
- The Group sold majority of interests to targeted partners, transferring self-management services to online platform service, while keeping minority interests.
- Including the contracted GFA and the number of communities which the Group ceased to renew certain property management contracts and manage primarily due to commercial factors.

Management Discussion and Analysis

Nature of the Property Developers

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

	As at 30 June 2018				As at 31 December 2017			
	Total Contracted GFA ('000 sq.m.)	% of total Contracted GFA	Number of Properties	% of total number of properties	Total Contracted GFA ('000 sq.m.)	% of total Contracted GFA	Number of Properties	% of total number of properties
Properties constructed by independent property developers other than the Fantasia Group	725,107	99.1%	4,251	99.3%	644,126	99.1%	3,824	99.2%
Properties constructed by the Fantasia Group	6,242	0.9%	31	0.7%	6,088	0.9%	30	0.8%
Total	731,349	100.00%	4,282	100.00%	650,214	100.0%	3,854	100.0%

Colour Life Property Management Services Model

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

The Group also optimized community services with innovative use of mobile internet. Through functions such as E-Repair, E-Lift, E-Cleaning, E-Security and E-Gardening, the Group initially realized the order-orientation of fundamental property services which further enhanced the efficiency of the Group’s services. For instance, with repair expenses of unit area remained unchanged, E-Repair realized the increase of equipment availability by 10 percent. With 10% reduction in cleaning expenses of unit area, E-Cleaning raised customer satisfaction rate by 5 percent.

Management Discussion and Analysis

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

As at 30 June 2018, the Group employed over 53,608 on-site personnel (including staffs employed by the Group and the staffs outsource to third parties) to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2018		As at 31 December 2017	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.35–10.0	1.0–8.0	0.35–10.0	1.0–8.0
Southern China (excluding Shenzhen) ⁽¹⁾	0.45–5.57	0.68–8.0	0.45–5.57	0.68–8.0
Eastern China ⁽²⁾	0.36–9.36	0.75–6.5	0.36–9.36	0.75–6.5
Southwestern China ⁽³⁾	0.39–6.14	0.3–6.29	0.39–6.14	0.3–6.29
Northeastern China ⁽⁴⁾	0.40–3.27	2.0–5.0	0.40–3.27	2.0–5.0
Northwestern China ⁽⁵⁾	0.45–3.9	1.1–5	0.45–3.9	1.1–5
Northern China	0.6–4.49	1.0–7.87	0.6–4.49	1.0–7.87
Central China ⁽⁶⁾	0.55–2.73	0.85–4.8	0.55–2.73	0.85–4.8
Singapore	1.23	–	1.23	–
Hong Kong	4.18–20.9	–	4.18–20.9	–

Notes:

- (1) The Group newly entered Jinjiang, Fuqing and Jiangmen as at 30 June 2018.
- (2) The Group newly entered Shouguang, Xinyi, Rizhao, Qufu, Maanshan, Yixing, Taizhou, Yuyao and Zhuji as at 30 June 2018.
- (3) The Group newly entered Meitan and Xishuangbanna as at 30 June 2018.
- (4) The Group newly entered Jixi, Qiqihar, Daqing, Jiamusi, Fushun, Dandong and Chifeng as at 30 June 2018.
- (5) The Group newly entered Bayannur as at 30 June 2018.
- (6) The Group newly entered Yihua, Jishou, Yongzhou and Ruzhou as at 30 June 2018.

Management Discussion and Analysis

Scope of Services for Property Management Services

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

Property Management Services under Commission Basis

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

Property Management Services under Lump Sum Basis

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

Pre-sale Services

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

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its community leasing, sales and other value-added services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice to these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides community leasing, sales and other value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

As at 30 June 2018, the Group provided consultancy services to 46 residential communities and the area of consultancy services was 7.0 million sq.m.. In the reporting period, the Group has completed the acquisition of WXM and the area previously included in the consultancy services has been converted to contracted area managed by the Group.

Management Discussion and Analysis

Community leasing, sales and other value-added services

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

As at 30 June 2018, accumulated registered users of Colour Life’s online platform increased to approximately 14,510,000, of which 3,798,000 were active users, representing a year-on-year increase of 252.1% and 56.0% respectively. For the six months ended 30 June 2018, the accumulated Gross Merchandise Volume (“GMV”) of Caizhiyun APP reached approximately RMB4,357.8 million, representing a year-on-year increase of 82.1%. In the first half of 2018, the value-added services revenue was accumulated RMB212.3 million, a year-on-year increase of 91.7%. The gross profit margin remained at a relatively high level of 71.8%, contributing a segment profit 35.8%. Specifically, the accumulated GMV of Colour Wealth Life Value-added Plan reached approximately RMB1,518.3 million. For the six months ended 30 June 2018, the average investment period of Colour Wealth Life has been extended from 0.47 year to 0.78 year as compared to the same period of last year, thus contributing RMB25.3 million in revenue. At the same time, the Group sold 2,370 units of Colour Life Parking Lots during the first half of 2018, driving the revenue of sales and rental assistance increased by 342.4% to RMB46.9 million.

At the same time, on 31 March 2018, the Group combined the Community new retail model with the scene of paying property management fees to launch the new platform “Colour Benefit Life” (“彩惠人生”). Purchasing goods and services required for daily life through “Colour Benefit Life”, community residents can deduct the property fees that they need to pay. Due to the accurate grasp of the demands of residents by first-line employees of the Group and the trust of the residents to the Group, the marketing expenses of the goods and service suppliers are reduced, and these suppliers will return the partially reduced marketing expenses to the household as property management fee. “Colour Benefit Life” (“彩惠人生”) allows property owners to enjoy the benefit of reduction of property fees, so that quality merchants can directly access the community market channels, and property management companies can improve the collection rate and service efficiency so as to achieve a win-win situation for all parties involved. After three months of its launch, as at 30 June 2018, the accumulated transactions was 325,400 and the accumulated GMV of “Colour Benefit Life” (“彩惠人生”) was RMB28,646,900. The accumulated offset to property management fees was RMB12,811,200 and 44,026 families were relieved of property management fees.

Management Discussion and Analysis

On the other hand, the Group constructs an open ecosystem and works with partners to explore value-added business development based on diverse community scenarios. At present, the entire ecosystem platform has more than 40 ecosystem companies participating in community service in different dimensions. Among them, E-Lift builds SaaS (Software-as-a-Service) platform covering the whole life cycle of lifts, and enters 209 cities nationwide. The number of lifts on E-Lift platform has exceeded 128 thousand units, including over 100 thousand lifts in communities not managed by the Group. The E-Advertising creates a community media platform for docking small and micro merchants, and entered 5 cities in the country, covering over 15,000 advertising boards in lifts 50% of which are not in communities managed by the Group. In the future, with the enhancement of the Group's ability to explore and build community access and community scenarios, the Group will further improve its ecosystem and build a comprehensive community service platform.

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

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

Common area rental assistance

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

Usage fees from online promotion services and leasing information system software

The Group collaborates with providers of various products and services and promotes products or services to property owners through the Caizhiyun APP, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun APP to the Group. Further, the Group leases system or software to projects it provides management, consultant services and platform collaboration to in order to improve service quality and efficiency.

Sales and rental assistance

The Group (i) refers a property owner, who intends to lease out property, to an independent third-party property agent, who rents the unit from the property owner as the primary tenant, and then sub-leases the unit to an appropriate tenant; (ii) refers the case to a third-party property agent, who assists the property owner to complete the sale of the property. The Group charges the property agent on every successful referral and generates revenue from authorising property agents rights to use our online leasing data platform; and (iii) helps property developers sell their assets under Colour Life Property or Colour Life Parking Lots model and charges certain amount of money on every successful deal.

Office sublet and other value-added services

Office sublet and other value-added services include (i) office sublet services; (ii) purchase assistance; (iii) energy management services; (iv) other value-added services.

Engineering Service

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("**Shenzhen Kaiyuan Tongji**") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("**Shenzhen Ancaihua**").

Management Discussion and Analysis

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

For the six months ended 30 June 2018, the Group continued to carry out the Internet-based transformation to the projects under its management, pushing forward the optimization and upgrade of Smart Community Model from Version 3.3 to Version 4.0. Version 4.0 focuses on the property owners satisfying multi-dimension needs for easy community life. It strengthens the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR Code/face recognition access control, vehicle license recognition system in car park etc., so as to realise centralized management control, replacing labour with equipment, saving energy and duty, enhancing efficiency and service quality. Moreover, a community service platform is established through connecting communities to the Group's headquarter cloud system. For example, real-time picture of the operation condition in the community under the Group's management will be sent to the headquarter of the Group using remote monitoring technology. The Group's headquarter cloud system will assign correction task for area with potential problem and follow up the results.

Scope of Services for Engineering Services

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

Installation service fees from provision of engineering services

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

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

Services fee from provision of repair and maintenance services

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

Equipment leasing services

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

Management Discussion and Analysis

Services fee from provision of energy-saving services

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

FINANCIAL REVIEW

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) community leasing, sales and other value-added services; and (iii) engineering services. For the six months ended 30 June 2018, the total revenue increased by approximately 135.3% to approximately RMB1,756.9 million from approximately RMB746.6 million for the six months ended 30 June 2017.

The increase in revenue was primarily driven by (i) the significant increase in the total revenue-bearing GFA resulted from the acquisition of WXM; and (ii) the expansion of the Group's community leasing, sales and other value-added services and engineering services.

— *Property Management Services*

For the Period, revenue from property management services increased by approximately 154.6% from approximately RMB576.3 million for the six months ended 30 June 2017 to approximately RMB1,467.1 million.

Such increase was primarily attributable to:

- (a) An increase in revenue of approximately RMB776.9 million to approximately RMB1,203.8 million from service fees charged under lump sum basis which in turn was driven by the growth of revenue-bearing GFA mainly through the acquisition of WXM. As at 30 June 2018, the revenue-bearing GFA under lump sum basis increased by approximately 59.2 million sq.m. to approximately 111.8 million sq.m. from approximately 52.6 million sq.m. as at the same date in 2017;
- (b) The revenue from property management services under commission basis increased slightly by RMB1.0 million. As at 30 June 2018, the revenue-bearing GFA under commission basis slightly increased by approximately 0.1 million sq.m., from approximately 214.7 million sq.m. as at the same date in 2017 to approximately 214.8 million sq.m.;
- (c) An increase in revenue of approximately RMB135.1 million to approximately RMB177.8 million from service fee charged for rendering pre-delivery related services for the six months ended 30 June 2018 as compared to that charged for the six months ended 30 June 2017 mainly resulting from the pre-delivery services contracts bought in upon acquisition of WXM;
- (d) A decrease in revenue of approximately RMB22.3 million to approximately RMB2.6 million from fees charged under consultancy services contracts, which is due to the consultancy contract between Shenzhen Kaiyuan International Property Management Co., Ltd. 深圳市開元國際物業管理有限公司 and WXM was eliminated and the revenue-bearing GFA of WXM were transferred to the revenue-bearing GFA under lump sum basis or pre-delivery services upon the completion of acquisition of WXM.

Management Discussion and Analysis

— *Community Leasing, Sales and Other Value-added Services*

For the Period, revenue from community leasing, sales and other value-added services increased by approximately 91.6% from approximately RMB110.8 million for the same period in 2017 to approximately RMB212.3 million.

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

- (a) A growth in usage fees from online promotion services and leasing information system software of approximately RMB38.2 million for the six months ended 2018 was driven by the rapid expansion of the user base on the Caizhiyun Platform. As a result, the revenue from online promotion services and leasing information system software increased by approximately 62.5% to approximately RMB99.1 million for the six months ended 30 June 2018 from approximately RMB61.0 million of that in the six months ended 30 June 2017;
- (b) An increase in sales and rental assistance income of approximately RMB36.3 million to approximately RMB46.9 million for the six months ended 30 June 2018 from approximately RMB10.6 million for the six months ended 30 June 2017, which mainly arised from the sales assistance services regarding Colour Life Parking Lots.
- (c) An increase in other value-added services revenue of approximately RMB26.5 million to approximately RMB46.7 million for the six months ended 30 June 2018 from approximately RMB20.2 million for the six months ended 30 June 2017, which arised from the Eastern Colour Life Community Ecosystem Center's office sublet services.
- (d) A slight increase in common area rental assistance services revenue of approximately RMB0.7 million from approximately RMB19.0 million for the six months ended 30 June 2017 to approximately RMB19.7 million for the Period.

— *Engineering Services*

For the Period, revenue from engineering services increased by approximately 29.9% from approximately RMB59.6 million for the six months ended 30 June 2017 to approximately RMB77.4 million.

- (a) An increase in the revenue from equipment installation services of approximately RMB29.5 million to approximately RMB44.6 million for the six months ended 30 June 2018 from approximately RMB15.1 million for the six months ended 30 June 2017, which is mainly due to the stronger business performance of carpark upgrade program in relation to Colour Life Parking Lots.
- (b) A slight increase in the revenue of approximately RMB1.9 million to approximately RMB7.8 million for the period in services fee from leasing energy-saving devices and energy management platform from RMB5.9 million for the six months ended 30 June 2017.
- (c) A decrease in repair and maintenance services by approximately RMB12.5 million from RMB20.4 million for the six months ended 30 June 2017 to RMB7.9 million for the Period, which is due to the Group's gradually outsourcing its repair and maintenance services.
- (d) A slight decrease of approximately RMB1.0 million to approximately RMB17.2 million in equipment leasing income.

Management Discussion and Analysis

Cost of Sales and Services

The Group's cost of sales and services primarily comprise labour costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation and others. Most of the cost is charged with the property management services under lump sum basis and pre-sale services contracted with property developers. For the Period, cost of sales and services increased by approximately 179.4% from approximately RMB407.1 million for the six months ended 30 June 2017 to approximately RMB1,137.3 million. The increase was primarily attributable to the acquisition of WXM, which provided property management services on lump sum basis and pre-delivery services .

Gross Profit and Gross Profit Margin

For the Period, the overall gross profit increased by approximately RMB280.1 million from approximately RMB339.5 million for the six months ended 30 June 2017 to approximately RMB619.6 million. The increase in gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin decreased by 10.2 percentage points to approximately 35.3% for the Period from that of approximately 45.5% for the six months ended 30 June 2017, which is mainly due to the change in the composition of the Group's services provision resulting from the acquisition of WXM, and WXM mainly engages in provision of property management services under lump sum basis and pre-delivery services with a relatively lower gross profit margin.

(i) *Property Management Services*

For the Period, the gross profit margin of property management services decreased by 6.1 percentage points from approximately 36.4% for the six months ended 30 June 2017 to approximately 30.3% primarily influenced by the property management services under lump sum basis with lower gross profit margin, 25.7% during the reporting period. And also, the revenue proportion of property management service under lump sum basis increased from 74.1% to 82.1% in the total property management services revenue. Gross profit on lump sum basis increased from RMB94.4 million for the six months ended 30 June 2017 to RMB309.7 million for the Period.

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

For the Period, the gross profit from the community leasing, sales and other value-added services segment increased by approximately 62.8% to approximately RMB152.4 million from approximately RMB93.6 million for the six months ended 30 June 2017. The usage fees from online promotion services and leasing information system software, which accounts for 46.7% in the revenue from community leasing, sales and other value-added services, increased by approximately 65.9% from gross profit approximately RMB59.5 million for the six months ended 30 June 2017 to approximately RMB98.7 million for the Period which was mainly attributable to the fast expansion of user base.

The gross profit margin decreased by 12.7 percentage points from 84.5% for the period ended 30 June 2017 to 71.8% for the Period. The decrease was primarily attributable to a relatively lower gross profit margin for some new and diversified businesses.

(iii) *Engineering Services*

For the Period, the gross profit margin for the engineering services segment decreased by 30.5 percentage points from approximately 60.8% for the six months ended 30 June 2017 to approximately 30.3%. The decrease was primarily attributable to the composition of installation services with lower gross profit has increase in total engineering services revenue.

Management Discussion and Analysis

Other Gains and Losses

The Group's other net loss for the Period was approximately RMB22.6 million (30 June 2017: net gain of RMB2.5 million). This is mainly due to the exchange loss of RMB21.2 million resulting from the foreign loans dominated in U.S. dollar and Hong Kong dollar.

Other Income

For the Period, the Group's other income was approximately RMB26.2 million, which increased by approximately 41.6% from approximately RMB18.5 million for the six months ended 30 June 2017, which was primarily attributable to the interest income of approximately RMB15.5 million.

Selling and Distribution Expenses

Selling and distribution expenses for the Period was approximately RMB20.4 million, which increased by approximately 78.9% from approximately RMB11.4 million for the six months ended 30 June 2017. The increase was mainly due to the increase in promotion expenses for Colour Life Parking Lots and Colour Benefit Life.

Administrative Expenses

The Group continues to tighten its cost control measures. The Group's administrative expenses increased by approximately 43.8% from approximately RMB147.2 million for the six months ended 30 June 2017 to approximately RMB211.7 million for the Period. The increase in administrative expenses was primarily attributable to (i) an increase of RMB54.6 million in amortisation of intangible assets from approximately RMB14.0 million for the six months ended 30 June 2017 to approximately RMB68.6 million for the Period, mainly resulted from the acquisition of WXM; (ii) with the expansion of the Group's business scale which was in line with the Group's growing GFA under its management resulted from acquisition of WXM and the development of its community leasing, sales and other value-added services, more management function personnel were retained for headquarter management function as well as synergy effect and other centralized controlling functions, resulting into an increase of approximately RMB25.9 million; (iii) a decrease of approximately RMB15.9 million in share-based payment expenses from approximately RMB22.4 million for the six months ended 30 June 2017 to approximately RMB6.5 million for the Period.

Expenses Recharged to Residential Communities under Commission Basis

For the Period, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB39.0 million, representing an increase of approximately 3.2% as compared to approximately RMB37.8 million for the six months ended 30 June 2017. The increase was primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc. as such the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs was approximately RMB156.7 million for the Period, which was an increase of approximately 218.5% as compared to approximately RMB49.2 million for the six months ended 30 June 2017, mainly due to the issuance of assets backed securities and the increase in other borrowings, including the loan of RMB1,000.0 million provided by a former joint venture partner of Shenzhen Wanxiang and assumed upon acquisition of Shenzhen Wanxiang and WXM.

Management Discussion and Analysis

Share Options

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

On 29 September 2014, 30 April 2015 and 18 March 2016, the Company granted 45,000,000, 25,000,000 and 34,247,488 share options to its employees, Directors, and certain minority shareholders of the Company's subsidiaries for which the exercise price is HK\$6.66 each, HK\$11.00 each and HK\$5.76 each, respectively. The share option expense charged to the statement of profit or loss for the six months ended 30 June 2018 was approximately RMB6.5 million.

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties increased to a gain of approximately RMB4.8 million for the Period from a loss of approximately RMB2.9 million for the six months ended 30 June 2017, which was primarily due to the addition of and the growth in market value of the respective investment properties.

Income Tax Expenses

The Group's income tax expenses increased by approximately 11.8% to approximately RMB62.5 million for the Period from approximately RMB55.9 million for the six months ended 30 June 2017. The increase was primarily due to an increase of current tax for enterprise income tax by approximately 33.3% from approximately RMB62.1 million for the six months ended 30 June 2017 to approximately RMB82.8 million.

Trade and Other Receivables and Prepayments

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

As at 30 June 2018, total trade receivables of the Group amounted to approximately RMB625.5 million, representing an increase of approximately RMB76.2 million compared to approximately RMB549.3 million as at 31 December 2017. The increase was attributable to the significant increase in revenue-bearing GFA from which the Group effectively generated income during the Period.

Other receivables and prepayments slightly decreased by RMB4.6 million from approximately RMB478.6 million as at 31 December 2017 to approximately RMB474.0 million as at 30 June 2018. The decrease was primarily attributable to: (i) an increase of approximately RMB46.5 million in deposits paid for cooperators and suppliers; (ii) a decrease of approximately RMB99.7 million in prepayment to suppliers mainly due to the utilisation of prepayment during the Period; (iii) an increase of approximately RMB9.5 million in receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia; (iv) a decrease of approximately RMB8.6 million in receivables from former shareholders of subsidiaries mainly due to the repayment from former shareholders; (v) an increase of approximately RMB47.7 million in other receivables due to the Group's business expansion.

Management Discussion and Analysis

Payments/Receipts on Behalf of Residents

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

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

Trade and Other Payables and Accruals

Trade and other payables primarily comprised items such as payables to sub-contractors of the Group's property management services and engineering services, receipts on behalf of online platform merchants arrangement, deposits received, accrued staff costs, provision for retirement benefit contribution, other tax payable and other payable and accruals, details of which are as follows:

- (1) trade payables increased from approximately RMB284.2 million as at 31 December 2017 to approximately RMB482.5 million as at 30 June 2018. This was primarily due to growth of the Group's Colour Life Parking Lots.
- (2) other payables and accruals decreased from approximately RMB1,207.8 million as at 31 December 2017 to approximately RMB758.7 million as at 30 June 2018, primarily attributable to (i) advances from customers of RMB453.7 million was accounted for as "contract liabilities" upon the application of HKFRS 15 since 1 January 2018; (ii) a decrease of approximately RMB43.1 million in accrued staff costs due to settlement of performance bonus to staff during the Period.

Management Discussion and Analysis

Cash Position

As at 30 June 2018, the Group's total cash (including restricted bank deposits) increased by approximately 51.4% from approximately RMB2,224.7 million as at 31 December 2017 to approximately RMB3,367.2 million. Among the Group's total cash, approximately RMB377.2 million (31 December 2017: approximately RMB377.2 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group.

The financial position remained stable. As at 30 June 2018, the current ratio (current asset/current liabilities) of the Group was 1.3 (31 December 2017: 1.6).

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated borrowings, the Group does not have any other material direct exposure to foreign exchange fluctuations. For the six months ended 30 June 2018, the exchange rates of RMB against U.S. dollars and the Hong Kong dollars decreased significantly, therefore an exchange loss of RMB21.2 million was incurred.

Employees and Remuneration Policies

As at 30 June 2018, excluding the employees for communities under commission basis, the Group had approximately 13,096 employees (31 December 2017: approximately 7,213 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.

Corporate Governance and Other Information

The Company is committed to maintain a high standard of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board of directors of the Company (the "**Board**") that shareholders can maximise their benefits from good corporate governance.

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

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For the period throughout the six months ended 30 June 2018, the Board is of the view that the Company has complied with all code provisions under the CG Code save for the following deviation:

In respect of the code provision E.1.2 of the CG Code, the Chairman of the Remuneration Committee and the member of Audit Committee and Nomination Committee were not present at the annual general meeting ("**AGM**") of the Company held on 29 May 2018 due to other business commitment and no delegate was appointed to attend the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance and Other Information

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

The Company has established a remuneration committee with specific written terms of reference in compliance with the CG Code. The remuneration committee currently comprises an executive Director, Mr. Tang Xuebin, and three independent non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Dr. Liao Jianwen is the chairman of the remuneration committee. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Board regarding the Company’s policy and structure for the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; (iii) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme of the Company.

NOMINATION COMMITTEE

The Company has established a nomination committee with specific written terms of reference in compliance with the CG Code. The nomination committee currently comprises an executive Director, Mr. Tang Xuebin, a non-executive Director, Mr. Pan Jun, and three independent non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Mr. Pan Jun is the chairman of the nomination committee. The primary function of the nomination committee is to make recommendations to the Board on the appointment of members of the Board.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

The summary below sets out the details of movement of the share options of the Company during the six months ended 30 June 2018 pursuant to the Share Option Scheme:

Name	Date of grant	Exercise price HK\$	Closing price of the shares on the date of grant HK\$	Balance as at 1 January 2018	Number of share options			Balance as at 30 June 2018	Weighted average closing price immediately before exercise HK\$	Note
					Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	-	-	-	547,790	-	(1)
				347,650				347,650		(2)
	30 April 2015	11.00	10.88	103,500	-	-	-	103,500	-	(3)
Mr. Dong Dong	18 March 2016	5.764	5.76	100,000	-	-	-	100,000	-	(4)
	29 September 2014	6.66	6.66	455,150	-	-	-	455,150	-	(1)
				347,650				347,650		(2)
Mr. Pan Jun	30 April 2015	11.00	10.88	123,500	-	-	-	123,500	-	(3)
	18 March 2016	5.764	5.76	100,000	-	-	-	100,000	-	(4)
	29 September 2014	6.66	6.66	547,790	-	-	-	547,790	-	(1)
Mr. Lam Kam Tong				347,650				347,650		(2)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
Mr. Zhou Hongyi	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(2)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
Mr. Tam Chun Hung, Anthony	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(2)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
Dr. Liao Jianwen	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(2)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
Mr. Xu Xinmin	29 September 2014	6.66	6.66	150,000	-	-	-	150,000	-	(2)
	30 April 2015	11.00	10.88	180,000	-	-	-	180,000	-	(3)
	18 March 2016	5.764	5.76	180,000	-	-	-	180,000	-	(4)
Employees of the Group, a resigned non-executive Director and certain minority shareholders of the Company's subsidiaries	29 September 2014	6.66	6.66	14,122,748	-	(2,710,900)	-	11,411,848	7.979	(1)
				18,916,809		(3,390,776)		15,526,033	7.997	(2) & (5)
	30 April 2015	11.00	10.88	17,267,005	-	-	-	17,267,005	-	(3)
	18 March 2016	5.764	5.76	24,591,238	-	(5,894,400)	(22,200)	18,674,638	7.719	(4)
Total				80,678,480		(11,996,076)	(22,200)	68,660,204	-	

Corporate Governance and Other Information

Notes:

- (1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.
- (2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.
- (3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.
- (4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.
- (5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive Director on 21 April 2015, has been extended by the Board pursuant to the terms of the Share Option Scheme.

SHARE AWARD SCHEME

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

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

(i) **Purpose**

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

(ii) **Fund available for the Share Award Scheme**

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

Corporate Governance and Other Information

(iii) Term

The Share Award Scheme will have an effective term of five years from the date of its adoption.

(iv) Trustee

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

(v) Eligible Persons

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

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

(vi) Transfer of the Incentive Shares to the Grantees

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

As at the date of this report, no Incentive Shares had been awarded or agreed to be awarded under the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed securities during the six months ended 30 June 2018.

STRUCTURED CONTRACTS

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

Corporate Governance and Other Information

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

The Company continued to expand and cooperate with various partners on the Caizhiyun platform. With E-repair service and Colour Life Wealth Life Value-added Plan introduced to the platform, the revenue and total asset value subject to the Contractual Arrangement amounted to approximately RMB32.5 million for the period ended 30 June 2018 and approximately RMB3.2 million as at 30 June 2018, respectively.

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

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

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

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

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “SEHK”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) were as follows:

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

Name of director	Capacity/Nature of interest	Number of ordinary shares/ underlying shares of the Company interested	Approximate percentage of shareholding interest
Mr. Tang Xuebin	Interest of controlled corporation ^{(1)&(2)}	952,488,259	71.81%
	Beneficial owner ⁽³⁾	1,098,940	0.08%
	Family interests ⁽⁴⁾	450,000	0.03%
		954,037,199	71.92%
Mr. Dong Dong	Beneficial owner ⁽³⁾	1,026,300	0.08%
Mr. Pan Jun	Beneficial owner ⁽³⁾	1,255,440	0.09%
Mr. Zhou Hongyi	Beneficial owner ⁽³⁾	360,000	0.03%
Mr. Lam Kam Tong	Beneficial owner ⁽³⁾	510,000	0.04%
Mr. Tam Chun Hung, Anthony	Beneficial owner ⁽³⁾	510,000	0.04%
Dr. Liao Jianwen	Beneficial owner ⁽³⁾	510,000	0.04%
Mr. Xu Xinmin	Beneficial owner ⁽³⁾	510,000	0.04%

Notes:

- (1) Mr. Tang Xuebin (“Mr. Tang”) is interested in 43.34% shares in Colour Success Limited (“Colour Success”) which wholly owns Splendid Fortune Enterprise Limited (“Splendid Fortune”). Mr. Tang Xuebin is therefore deemed to be interested in the 217,031,477 shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.
- (2) Under a concert party agreement dated 29 June 2015 entered into between Fantasia Holdings and Splendid Fortune (“Concert Party Agreement”), each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Mr. Tang is also deemed to be interested in the 735,456,782 shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.
- (3) These are share options granted to the Directors of the Company under the Share Option Scheme (details of which are stated under the sub-section headed “Share Option Scheme” below).
- (4) The 450,000 shares were beneficially held by Ms. Dai Minglei, the spouse of Mr. Tang.

Disclosure of Interests

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

Name of director	Name of associated corporation	Capacity	Equity interest/ number of shares/ underlying shares	Approximate percentage of equity interest/ shareholding interest
Mr. Pan Jun	Shenzhen Caizhiyun Network ⁽¹⁾	Beneficial owner	RMB7,000,000	70%
	Fantasy Pearl International Limited (" Fantasy Pearl ") ⁽²⁾	Interest of controlled corporation	20	20%
Mr. Tang Xuebin	Fantasia Holdings ⁽³⁾	Beneficial owner	9,980,000	0.17%
	Shenzhen Caizhiyun Network ⁽¹⁾	Beneficial owner	RMB3,000,000	30%
Mr. Lam Kam Tong	Fantasia Holdings ⁽³⁾	Beneficial owner	1,640,000	0.03%
	Fantasia Holdings ⁽³⁾	Beneficial owner	2,770,000	0.05%
Mr. Dong Dong	Fantasia Holdings ⁽³⁾	Beneficial owner	560,000	0.01%

Notes:

- (1) Shenzhen Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. Details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.
- (2) Fantasy Pearl is owned as to 80% by Ice Apex Limited ("**Ice Apex**") and 20% by Graceful Star Overseas Limited ("**Graceful Star**"), which is wholly owned by Mr. Pan Jun.
- (3) These represent share options granted by Fantasia Holdings subject to vesting schedules.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the SEHK.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares of the Company interested	Approximate percentage of shareholding interest
Ms. Zeng Jie, Baby	Interest of controlled corporation ^{(1)&(2)}	953,831,259	71.91%
Ice Apex	Interest of controlled corporation ^{(1)&(2)}	953,831,259	71.91%
Fantasy Pearl	Beneficial owner	1,343,000	0.10%
	Interest of controlled corporation ^{(1)&(2)}	952,488,259	71.81%
		953,831,259	71.91%
Fantasia Holdings	Beneficial owner ⁽¹⁾	735,456,782	55.45%
	Other interest ⁽²⁾	217,031,477	16.36%
		952,488,259	71.81%
Splendid Fortune	Beneficial owner ⁽³⁾	217,031,477	16.36%
	Other interest ⁽⁴⁾	735,456,782	55.45%
		952,488,259	71.81%
Colour Success	Interest of controlled corporation ^{(3)&(4)}	952,488,259	71.81%
Central Huijin Investment Ltd.	Interest of controlled corporation ⁽⁵⁾	78,880,000	5.95%
Design Time Limited	Beneficial owner	78,880,000	5.95%

Notes:

- (1) Fantasia Holdings is owned as to 57.49% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings for the purpose of Part XV of the SFO.
- (2) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Fantasia Holdings, Fantasy Pearl, Ice Apex and Ms. Zeng Jie, Baby are also deemed to be interested in the shares of the Company in which Splendid Fortune is interested for the purpose of Part XV of the SFO.
- (3) Splendid Fortune is wholly owned by Colour Success, which is in turn owned as to 43.34% by Mr. Tang Xuebin, 13.33% by Mr. Dong Dong, 13.33% by Mr. Ye Hui, 13.33% by Mr. Guan Jiandong, 13.33% by Mr. Chang Rong and 3.34% by Mr. Wang Xuliang, respectively.
- (4) Under the Concert Party Agreement, each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Splendid Fortune and Colour Success are also deemed to be interested in the shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.
- (5) Design Time Limited is wholly owned by CCBI Investments Limited, which is wholly owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly owned by CCB Financial Holdings Limited, which is wholly owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is wholly owned by China Construction Bank Corporation, which is wholly owned by Central Huijin Investment Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in the shares of the Company held by Design Time Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2018, no other shareholder, other than Directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report on Review of Condensed Consolidated Financial Statements



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 102, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 August 2018

SERVICE TO YOUR FAMILY

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue			
Goods and services	3	1,689,379	717,189
Rental		67,477	29,439
Total revenue	4	1,756,856	746,628
Cost of sales and services		(1,137,266)	(407,080)
Gross profit		619,590	339,548
Other gains and losses		(22,624)	2,479
Other income		26,209	18,516
Impairment losses, net of reversal		(24,962)	(16,561)
Selling and distribution expenses		(20,408)	(11,424)
Administrative expenses		(211,659)	(147,200)
Expenses recharged to residential communities under commission basis		38,981	37,765
Finance costs		(156,663)	(49,183)
Change in fair value of investment properties		4,765	(2,867)
Share of results of associates		(908)	213
Share of results of joint ventures		1,273	(45)
Profit before tax		253,594	171,241
Income tax expense	5	(62,459)	(55,903)
Profit for the period	6	191,135	115,338
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		9,258	–
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		(2,315)	–
		6,943	–

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		–	505
Deferred taxation effect on change in fair value of available-for-sale investments		–	(126)
		–	379
Other comprehensive income for the period, net of income tax		–	379
Total comprehensive income for the period		198,078	115,717
Profit for the period attributable to:			
Owners of the Company		175,296	100,669
Non-controlling interests		15,839	14,669
		191,135	115,338
Total comprehensive income for the period attributable to:			
Owners of the Company		182,239	101,048
Non-controlling interests		15,839	14,669
		198,078	115,717
Earnings per share — basic (RMB cents)	8	14.21	10.09
Earnings per share — diluted (RMB cents)	8	14.20	10.09

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Non-current Assets			
Property, plant and equipment	9	291,611	239,873
Investment properties	10	71,946	70,554
Interests in associates		41,622	23,692
Interests in joint ventures		61,296	45,645
Available-for-sale investments		–	148,457
Equity instruments designated at FVTOCI		120,245	–
Intangible assets		1,205,887	1,274,453
Goodwill		2,211,701	2,208,089
Contract assets	11	13,459	–
Trade receivables	12	–	10,983
Other receivables and prepayments	12	6,767	6,989
Loan receivables	13	34,210	44,794
Deferred tax assets		44,963	37,342
Amount due from a director	14	307	323
Deposits paid for acquisition of subsidiaries		85,326	52,793
		4,189,340	4,163,987
Current Assets			
Inventories		252,391	7,331
Contract assets	11	64,692	–
Amounts due from customers for contract works		–	43,693
Trade receivables	12	625,513	538,312
Other receivables and prepayments	12	467,220	471,590
Loan receivables	13	18,701	39,550
Payments on behalf of residents	15	669,143	522,495
Amounts due from fellow subsidiaries	14	163,660	447,001
Amounts due from non-controlling shareholders of the subsidiaries	14	128,231	113,153
Amounts due from related parties	14	21,194	15,477
Amounts due from associates	14	9,245	27,567
Amounts due from joint ventures	14	7,123	5,292
Amount due from a director	14	60	60
Financial assets at fair value through profit or loss (“FVTPL”)		69,358	191,898
Pledged bank deposits		377,175	377,175
Bank balances and cash		2,990,052	1,847,528
		5,863,758	4,648,122

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Current Liabilities			
Contract liabilities		468,791	–
Amounts due to customers for contract works		–	13,778
Trade payables	17	482,473	284,159
Other payables and accruals	17	758,656	1,207,825
Receipts on behalf of residents	18	262,015	382,355
Amounts due to fellow subsidiaries	19	443,806	12,740
Amounts due to non-controlling shareholders of the subsidiaries	19	26,120	16,472
Amounts due to associates	19	12,512	13,513
Amounts due to joint ventures	19	11,017	7,153
Amounts due to related parties	19	22,709	–
Tax liabilities		131,248	179,000
Borrowings due within one year	20	1,619,260	674,030
Corporate bonds due within one year	21	129,267	16,300
Assets backed securities issued due within one year	22	50,028	42,533
		4,417,902	2,849,858
Net Current Assets			
		1,445,856	1,798,264
Total Assets Less Current Liabilities			
		5,635,196	5,962,251
Non-current Liabilities			
Deferred tax liabilities		325,088	338,125
Amount due to a fellow subsidiary	19	1,796	2,271
Borrowings due after one year	20	1,681,853	1,395,170
Corporate bonds due after one year	21	438,461	536,302
Assets backed securities issued due after one year	22	252,988	185,204
		2,700,186	2,457,072
Total Non-current Liabilities			
		2,700,186	2,457,072
Net Assets			
		2,935,010	3,505,179

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTE	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Capital and Reserves			
Share capital	23	106,587	78,945
Reserves		2,705,939	3,320,026
<hr/>			
Equity attributable to owners of the Company		2,812,526	3,398,971
Non-controlling interests		122,484	106,208
<hr/>			
Total Equity		2,935,010	3,505,179

The condensed consolidated financial statements on pages 37 to 102 were approved and authorised for issue by the Board of Directors on 22 August 2018 and are signed on its behalf by:

Tang Xuebin
DIRECTOR

Dong Dong
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share options reserve RMB'000 (note 24)	Shares held for share award scheme RMB'000 (note 25)	FVTOCI reserve/ Revaluation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (audited)	79,325	519,820	41,230	197,155	(9,010)	17,327	(52,989)	666,064	1,458,922	73,550	1,532,472
Profit for the period	-	-	-	-	-	-	-	100,669	100,669	14,669	115,338
Change in fair value of available-for-sale investments	-	-	-	-	-	505	-	-	505	-	505
Deferred taxation effect on change in fair value of available-for-sale investments	-	-	-	-	-	(126)	-	-	(126)	-	(126)
Other comprehensive income for the period	-	-	-	-	-	379	-	-	379	-	379
Total comprehensive income for the period	-	-	-	-	-	379	-	100,669	101,048	14,669	115,717
Dividend paid to shareholders of the Company	-	(86,718)	-	-	-	-	-	-	(86,718)	-	(86,718)
Cancelled upon repurchase of shares	(199)	(8,960)	-	-	-	-	-	-	(9,159)	-	(9,159)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,803)	(5,803)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	951	951
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(6,884)	(6,884)
Recognition of equity-settled share-based payment	-	-	-	22,397	-	-	-	-	22,397	-	22,397
Transfer	-	-	4,008	-	-	-	-	(4,008)	-	-	-
At 30 June 2017 (unaudited)	79,126	424,142	45,238	219,552	(9,010)	17,706	(52,989)	762,725	1,486,490	76,483	1,562,973
At 31 December 2017 (audited)	78,945	414,695	56,380	242,458	(9,010)	18,750	(52,989)	971,571	1,720,800	106,208	1,827,008
Merger accounting restatement (note 1)	-	-	-	-	-	-	1,678,171	-	1,678,171	-	1,678,171
At 31 December 2017 (restated)	78,945	414,695	56,380	242,458	(9,010)	18,750	1,625,182	971,571	3,398,971	106,208	3,505,179
Effect arising from initial application of HKFRS 9 (note 2)	-	-	-	-	-	-	-	(7,607)	(7,607)	(263)	(7,870)
At 1 January 2018 (restated)	78,945	414,695	56,380	242,458	(9,010)	18,750	1,625,182	963,964	3,391,364	105,945	3,497,309
Profit for the period	-	-	-	-	-	-	-	175,296	175,296	15,839	191,135
Change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	9,258	-	-	9,258	-	9,258
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	-	-	-	-	-	(2,315)	-	-	(2,315)	-	(2,315)
Other comprehensive income for the period	-	-	-	-	-	6,943	-	-	6,943	-	6,943
Total comprehensive income for the period	-	-	-	-	-	6,943	-	175,296	182,239	15,839	198,078
Dividend paid to shareholders of the Company (note 7)	-	(166,237)	-	-	-	-	-	-	(166,237)	-	(166,237)
Issue of shares and cash consideration upon combination of entities under common control (note 23(a))	19,575	887,650	-	-	-	-	(1,921,399)	-	(1,014,174)	-	(1,014,174)
Issue of new shares (note 23(b))	7,066	345,230	-	-	-	-	-	-	352,296	-	352,296
Issue of shares upon exercise of share options	1,001	92,197	-	(32,708)	-	-	-	-	60,490	-	60,490
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,612)	(1,612)
Acquisition of subsidiaries (note 26)	-	-	-	-	-	-	-	-	-	(483)	(483)
Capital injection by non-controlling shareholders of certain subsidiaries	-	-	-	-	-	-	-	-	-	2,795	2,795
Recognition of equity-settled share based payment (note 24)	-	-	-	6,548	-	-	-	-	6,548	-	6,548
Transfer	-	-	41,403	-	-	-	-	(41,403)	-	-	-
At 30 June 2018 (unaudited)	106,587	1,573,535	97,783	216,298	(9,010)	25,693	(296,217)	1,097,857	2,812,526	122,484	2,935,010

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Notes:

- (a) The statutory reserve is non-distributable and the transfer to the reserve is determined by the board of directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.
- (b) The amount recorded in the other reserve was resulted from the following as below:
 - (i) Other reserve arose from the acquisition of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represents the difference between the consideration and the adjustment to the non-controlling interests.
 - (ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Ltd. ("Fantasia Holdings") to eligible directors of the Company and employees of the Group and credited to other reserve.
 - (iii) Merger reserve amounting to RMB243,228,000 arose from the combination of entities under common control in 2018. Details of the combination of entities under common control are set out in note 1.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Cash generated from (used in) operations		185,898	(32,597)
Enterprise income tax ("EIT") paid		(130,561)	(49,351)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		55,337	(81,948)
INVESTING ACTIVITIES			
Interest received		15,523	13,390
Decrease in pledged bank deposits		–	120,499
Deposits paid on acquisition of subsidiaries		(38,122)	(127,352)
Settlement of consideration payables on acquisition of subsidiaries		–	(2,691)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	26	215	8,556
Disposal of a subsidiary (net of cash and cash equivalent disposed)		–	4,839
Disposal of partial interests in subsidiaries resulting in loss of control		–	1,128
Proceeds on disposal of property, plant and equipment		–	3,587
Purchase of property, plant and equipment		(83,969)	(50,070)
Proceeds on disposal of investment properties		4,963	24,553
Purchase of available-for-sale investments		–	(782)
Purchase of equity instruments designated at FVTOCI		(22,530)	–
Proceeds on disposal of equity instruments designated at FVTOCI		60,000	–
Capital injections to associates and joint ventures		(33,216)	(15,941)
Advances of loan receivables		(7,951)	(55,508)
Repayments of loan receivables		39,384	65,525
Advances to fellow subsidiaries		(100,065)	(69,498)
Repayments from fellow subsidiaries		417,136	–
Advances to non-controlling shareholders of subsidiaries		(18,844)	(18,888)
Repayments from non-controlling shareholders of subsidiaries		4,525	15,365
Advances to related parties		(8,025)	(4,279)
Repayments from related parties		3,777	–
Advances to associates		(1,218)	(14,447)
Repayments from associates		19,540	–
Advances to joint ventures		(7,123)	–
Repayments from joint ventures		5,292	–
Repayment from a director		16	13
NET CASH FROM (USED IN) INVESTING ACTIVITIES		249,308	(102,001)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Interest paid	(131,738)	(37,877)
Repayment of principal of assets backed securities issued	(27,500)	(25,000)
Net proceeds from the issuance of assets backed securities	98,236	–
New borrowings raised	1,848,671	253,042
Repayment of bank borrowings	(637,981)	(161,323)
Cash consideration paid upon combination of entities under common control	(595,487)	–
Advances from fellow subsidiaries	3,361	39,554
Repayments to fellow subsidiaries	(2,432)	(1,103)
Advances from joint ventures	4,242	–
Repayments to joint ventures	(378)	–
Advances from associates	483	9,062
Repayments to associates	(1,484)	–
Advances from non-controlling shareholders of subsidiaries	12,514	–
Repayments to non-controlling shareholders of subsidiaries	(3,069)	(6,400)
Advances from related parties	22,709	–
Proceeds from issuance of new shares	352,296	–
Proceeds from issuance of shares upon exercise of share options	60,490	–
Capital injection from non-controlling shareholders of certain subsidiaries	2,795	–
Dividend paid to non-controlling shareholders of certain subsidiaries	(1,612)	(5,803)
Dividend paid to shareholders of the Company	(166,237)	(86,718)
Payment on repurchase of shares	–	(9,159)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	837,879	(31,725)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,142,524	(215,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,847,528	754,837
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	2,990,052	539,163

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

Merger Accounting For Business Combination Involving Entities Under Common Control

Pursuant to a series of agreements dated 14 November 2017 entered into between the Group, Fantasia Holdings and certain subsidiaries of Fantasia Holdings other than the Group (together with Fantasia Holdings, referred to as “Fantasia Group”), transferred the 100% beneficial interest in 深圳市幸福萬象投資合夥企業（有限合夥） Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) (“Shenzhen Wanxiang”) and the 100% equity interest in 萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd. (“Wanxiangmei”) (collectively referred to as the “Target Group”) to the Group (the “Transaction”). The consideration of the Transaction included the cash consideration of RMB1,014,174,000 and the issue of 231,500,000 ordinary shares of the Company to Fantasia Holdings. The Transaction was completed in March 2018. Up to 30 June 2018, cash consideration of RMB595,487,000 has been settled by the Company and the remaining consideration of RMB418,687,000 was included in amounts due to fellow subsidiaries. The principal activities of the Target Group are provision of property management service in the PRC.

Before 29 December 2017, Shenzhen Wanxiang was accounted for as a joint venture of Fantasia Holdings as all of the strategic financial and operating decisions must be approved by all of the joint venture partners with unanimous consent. Wanxiangmei was 99% held by Shenzhen Wanxiang and was accounted for as a subsidiary of Shenzhen Wanxiang. The remaining 1% equity interest in Wanxiangmei was held by Fantasia Holdings directly and accounted for as an available-for-sale investment of Fantasia Group.

On 29 December 2017, Fantasia Group acquired the 100% equity interests in 深圳市嘉信諮詢服務有限公司 Shenzhen Jiaxin Consulting Services Co., Ltd. (“Shenzhen Jiaxin”), a limited partner of Shenzhen Wanxiang. On the same day, Fantasia Group entered into a supplemental partnership agreement with other partners regarding the revision of the terms of the cooperation agreement of Shenzhen Wanxiang. Pursuant to the supplemental agreement, the investment committee of Shenzhen Wanxiang, the governing body which directs the relevant activities that significantly affects the investment decision and returns of Shenzhen Wanxiang, consists of five members of which Fantasia Group and the other partners can appoint three members and two members, respectively, and the return on capital injected by the other limited partner were changed from 4.379% per annum to 8.630% per annum. The approval of the relevant activities requires unanimous consent of all members, however, the other partners committed that the two members appointed by them would not vote against the three members appointed by Fantasia Holdings in the investment committee of Shenzhen Wanxiang, unless Shenzhen Wanxiang default in settlement of the fixed return to the other partners in accordance with the repayment schedule. Therefore, Fantasia Group obtained 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION *(Continued)*

Merger Accounting For Business Combination Involving Entities Under Common Control *(Continued)*

Under merger accounting, based on the guidance set out in Accounting Guideline 5 *Merger Accounting for Common Control Combinations*, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The consolidated financial statements have been prepared on the following basis:

- (i) The net assets of the Target Group are consolidated using the existing book values from perspective of Fantasia Holdings other than the Group. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The difference between the carrying amount of net assets of the Target Group acquired from Fantasia Group's perspective and the consideration transferred to Fantasia Group were recognised in other reserve.
- (ii) The consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the prior period have not been restated, as the Target Group were acquired on 29 December 2017 by Fantasia Holdings and the directors of the Company considered the Transaction had no impact on the Group's financial performance and cash flows for prior period. The consolidated statement of financial position as at 31 December 2017 has been restated to adjust the carrying amounts of the assets and liabilities of the Target Group which had been in existence as at 31 December 2017 as if those entities or businesses were combined from the date when they first came under the control of Fantasia Holdings.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION *(Continued)*

Merger Accounting For Business Combination Involving Entities Under Common Control *(Continued)*

The effects of restatements described above on the consolidated statement of financial position as at 31 December 2017 by line items are as follows:

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated) (note)
Non-current Assets			
Property, plant and equipment	168,679	71,194	239,873
Investment properties	70,554	–	70,554
Interests in associates	23,692	–	23,692
Interests in joint ventures	45,645	–	45,645
Available-for-sale investments	148,457	–	148,457
Intangible assets	241,046	1,033,407	1,274,453
Goodwill	917,440	1,290,649	2,208,089
Trade receivables	10,983	–	10,983
Other receivables and prepayments	6,989	–	6,989
Loan receivables	44,794	–	44,794
Deferred tax assets	37,342	–	37,342
Amount due from a director	323	–	323
Deposits paid for acquisitions of subsidiaries	52,793	–	52,793
	1,768,737	2,395,250	4,163,987

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION (Continued)

Merger Accounting For Business Combination Involving Entities Under Common Control (Continued)

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated) (note)
Current Assets			
Inventories	7,331	–	7,331
Amounts due from customers for contract works	43,693	–	43,693
Trade receivables	381,716	156,596	538,312
Other receivables and prepayments	243,317	228,273	471,590
Loan receivables	39,550	–	39,550
Payments on behalf of residents	479,261	43,234	522,495
Amounts due from fellow subsidiaries	109,743	337,258	447,001
Amounts due from non-controlling shareholders of the subsidiaries	113,153	–	113,153
Amounts due from related parties	15,477	–	15,477
Amounts due from associates	27,567	–	27,567
Amounts due from joint ventures	5,292	–	5,292
Amount due from a director	60	–	60
Financial assets at FVTPL	191,898	–	191,898
Pledged bank deposits	377,175	–	377,175
Bank balances and cash	856,680	990,848	1,847,528
	2,891,913	1,756,209	4,648,122

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION *(Continued)*

Merger Accounting For Business Combination Involving Entities Under Common Control *(Continued)*

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated) (note)
Current Liabilities			
Amounts due to customers for contract works	13,778	–	13,778
Trade payables	221,172	62,987	284,159
Other payables and accruals	560,285	647,540	1,207,825
Receipts on behalf of residents	222,546	159,809	382,355
Amounts due to fellow subsidiaries	12,740	–	12,740
Amounts due to non-controlling shareholders of the subsidiaries	16,472	–	16,472
Amounts due to associates	13,513	–	13,513
Amounts due to joint ventures	7,153	–	7,153
Tax liabilities	179,000	–	179,000
Borrowings due within one year	454,030	220,000	674,030
Corporate bonds due within one year	16,300	–	16,300
Assets backed securities issued due within one year	42,533	–	42,533
	1,759,522	1,090,336	2,849,858
Net Current Assets	1,132,391	665,873	1,798,264
Total Assets Less Current Liabilities	2,901,128	3,061,123	5,962,251
Non-current Liabilities			
Deferred tax liabilities	79,773	258,352	338,125
Amount due to a fellow subsidiary	2,271	–	2,271
Borrowings due after one year	270,570	1,124,600	1,395,170
Corporate bonds due after one year	536,302	–	536,302
Assets backed securities issued due after one year	185,204	–	185,204
	1,074,120	1,382,952	2,457,072
Net Assets	1,827,008	1,678,171	3,505,179

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION *(Continued)*

Merger Accounting For Business Combination Involving Entities Under Common Control *(Continued)*

	31 December 2017 RMB'000 (Audited and originally stated)	Business combination of entities under common control RMB'000	31 December 2017 RMB'000 (Restated) (note)
Capital and Reserves			
Share capital	78,945	–	78,945
Reserves	1,641,855	1,678,171	3,320,026
<hr/>			
Equity attributable to owners of the Company	1,720,800	1,678,171	3,398,971
Non-controlling interests	106,208	–	106,208
<hr/>			
Total Equity	1,827,008	1,678,171	3,505,179

Note: The amounts above are before the adjustments from the application of Hong Kong Financial Reporting Standard ("HKFRS") 15 and 9.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group engages in provision of property management services, sales and other value-added services and engineering services. Revenue from providing services is recognised in the accounting period in which the performance obligations are satisfied.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

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

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

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (“HKFRS 15”) *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15

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

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

For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units. As the property owners’ associations simultaneously receives and consumes the benefit provided by the Group’s performance as the Group performs, the Group recognises the fee received or receivables from property owners’ associations as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners’ associations over time.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15 *(Continued)*

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

For sales of properties, the Group purchase properties from property developers and sell the properties to the customers. Revenue of sales of properties is recognised at a point in time when the customer obtains the control of property and the Group has present right to payment and the collection of the consideration is probable.

For real estate agency services, the Group provide real estate agency services to property developers. Agency commission is recognised at a point in time when a buyer and seller execute a legally binding sale agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Engineering services mainly includes installation services, repair and maintenance services and energy-saving services.

For engineering services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of specific transaction assessed on the basis on the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised during the six months ended 30 June 2018.

The following table summarises the impact of transition to HKFRS 15 at 1 January 2018. Line items that were not affected by the changes have not been included.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

	Notes	Carrying amounts restated under merger accounting at 31 December 2017 RMB'000	Reclassifications RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018 RMB'000 (note d)
Non-current Assets				
Contract assets	(a)	–	10,983	10,983
Trade receivables	(a)	10,983	(10,983)	–
Current Assets				
Contract assets	(a),(b)	–	54,258	54,258
Amounts due from customers for contract works	(b)	43,693	(43,693)	–
Trade receivables	(a)	538,312	(10,565)	527,747
Current Liabilities				
Contract liabilities	(b),(c)	–	473,928	473,928
Amounts due to customers for contract works	(b)	13,778	(13,778)	–
Other payables and accruals	(c)	1,207,825	(460,150)	747,675

Notes:

- (a) At the date of initial application of HKFRS 15, retention receivables of RMB679,000 and invoices to be issued of RMB20,869,000, which are to be released upon expiration of the warranty period of the installation services, were reclassified from trade receivables to contract assets.
- (b) In relation to installation contracts previously accounted under HKAS 11, the Group applies input method in estimating the performance obligation satisfied up to date of initial application of HKFRS 15. RMB43,693,000 and RMB13,778,000 of amounts due from/to customers for contract works were reclassified to contract assets and contract liabilities, respectively.
- (c) At the date of initial application of HKFRS 15, advances from customers of RMB460,150,000 previously included in other payables and accruals were reclassified to contract liabilities.
- (d) The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Notes	As reported RMB'000	Reclassification RMB'000	Amounts without application of HKFRS 15 RMB'000
Non-current Assets				
Contract assets	(a)	13,459	(13,459)	–
Trade receivables	(a)	–	13,459	13,459
Current Assets				
Contract assets	(a),(b)	64,692	(64,692)	–
Amounts due from customers for contract works	(b)	–	52,798	52,798
Trade receivables	(a)	625,513	11,894	637,407
Current Liabilities				
Contract liabilities	(b),(c)	468,791	(468,791)	–
Amounts due to customers for contract works	(b)	–	15,073	15,073
Other payables and accruals	(c)	758,656	453,718	1,212,374

Notes:

- (a) Under HKAS 18, retention receivables of RMB1,147,000 and unbilled revenue of RMB24,206,000 would have been included trade receivables.
- (b) Under HKAS 11, RMB52,798,000 and RMB15,073,000 of contract assets and contract liabilities in relation to installation contracts would have been recognised in amounts due from/to customers for contract works, respectively.
- (c) Under HKAS 18, advances from customers of RMB453,718,000 would have been included in other payables and accruals.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instrument* (“HKFRS 9”)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets and lease receivables and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instrument* (“HKFRS 9”) *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

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

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

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

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

Financial assets at FVTPL

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

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

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument (“HKFRS 9”) *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model

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

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

The Group always recognises lifetime ECL for trade receivables arisen from HKFRS 15 without significant financing component, lease receivables included in trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings and/or individually for debtors with significant balances.

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

Significant increase in credit risk

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model (Continued)

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument (“HKFRS 9”) *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

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

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

As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument ("HKFRS 9") (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Notes	Available-for-sale investments RMB'000 (note b)	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 RMB'000	Equity instruments designated at FVTOCI RMB'000	Financial assets at amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Deferred tax assets RMB'000	FVTOCI reserve/revaluation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017									
– under HKAS 39 with merger accounting restatement	148,457	191,898	–	4,028,998	–	37,342	18,750	971,571	106,208
Effect arising from initial application of HKFRS 15	–	–	–	(21,548)	65,241	–	–	–	–
Effect arising from initial application of HKFRS 9:									
Reclassification									
From available-for-sale investments	(a) (148,457)	–	148,457	–	–	–	–	–	–
Remeasurement									
Impairment under ECL model	(c) –	–	–	(8,484)	(2,009)	2,623	–	(7,607)	(263)
Opening balance at 1 January 2018	–	191,898	148,457	3,998,966	63,232	39,965	18,750	963,964	105,945

Notes:

(a) Available-for-sale investments

The Group elected to present in OCI for the fair value changes of all its equity investments that are not held for trading and previously classified as available-for-sale investments. At the date of initial application of HKFRS 9, RMB148,457,000 were reclassified from available-for-sale investments to equity instruments designated at FVTOCI, of which RMB73,457,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value change relating to those unquoted equity investments previously carried at cost less impairment was adjusted to equity instruments designated at FVTOCI and FVTOCI reserve as at 1 January 2018. The fair value gains of RMB18,750,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instrument (“HKFRS 9”) *(Continued)*

2.2.2 Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Notes: *(Continued)*

(b) Financial assets at FVTPL

Financial assets at FVTPL are securities held for trading and derivatives which are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables arisen from HKFRS 15 without significant financing component, lease receivables included in trade receivables and contract assets. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank balances, loan receivables, amounts due from a director, fellow subsidiaries, non-controlling shareholders of the subsidiaries of the Company, related parties, associates and joint ventures, payments on behalf of residents and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB7,870,000, net of deferred tax effect, has been recognised against retained profits and non-controlling interests. The additional loss allowance is charged against the respective assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (After merger accounting restatement) RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current Assets				
Property, plant and equipment	239,873	–	–	239,873
Investment properties	70,554	–	–	70,554
Interests in associates	23,692	–	–	23,692
Interests in joint ventures	45,645	–	–	45,645
Equity instruments designated at FVTOCI	–	–	148,457	148,457
Available-for-sale investments	148,457	–	(148,457)	–
Intangible assets	1,274,453	–	–	1,274,453
Goodwill	2,208,089	–	–	2,208,089
Contract assets	–	10,983	–	10,983
Trade receivables	10,983	(10,983)	–	–
Other receivables and prepayments	6,989	–	–	6,989
Loan receivables	44,794	–	–	44,794
Deferred tax assets	37,342	–	2,623	39,965
Amount due from a director	323	–	–	323
Deposits paid for acquisition of subsidiaries	52,793	–	–	52,793
	4,163,987	–	2,623	4,166,610

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (After merger accounting restatement)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Current Assets				
Inventories	7,331	–	–	7,331
Contract assets	–	54,258	(2,009)	52,249
Amounts due from customers				
for contract works	43,693	(43,693)	–	–
Trade receivables	538,312	(10,565)	(1,557)	526,190
Other receivables and prepayments	471,590	–	–	471,590
Loan receivables	39,550	–	–	39,550
Payments on behalf of residents	522,495	–	(6,927)	515,568
Amounts due from fellow subsidiaries	447,001	–	–	447,001
Amounts due from non-controlling shareholders of the subsidiaries	113,153	–	–	113,153
Amounts due from related parties	15,477	–	–	15,477
Amounts due from associates	27,567	–	–	27,567
Amounts due from joint ventures	5,292	–	–	5,292
Amount due from a director	60	–	–	60
Financial assets at FVTPL	191,898	–	–	191,898
Pledged bank deposits	377,175	–	–	377,175
Bank balances and cash	1,847,528	–	–	1,847,528
	4,648,122	–	(10,493)	4,637,629

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (After merger accounting restatement)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Current Liabilities				
Contract liabilities	–	473,928	–	473,928
Amounts due to customers for contract works	13,778	(13,778)	–	–
Trade payables	284,159	–	–	284,159
Other payables and accruals	1,207,825	(460,150)	–	747,675
Receipts on behalf of residents	382,355	–	–	382,355
Amounts due to fellow subsidiaries	12,740	–	–	12,740
Amounts due to non-controlling shareholders of the subsidiaries	16,472	–	–	16,472
Amounts due to associates	13,513	–	–	13,513
Amounts due to joint ventures	7,153	–	–	7,153
Tax liabilities	179,000	–	–	179,000
Borrowings due within one year	674,030	–	–	674,030
Corporate bonds due within one year	16,300	–	–	16,300
Assets backed securities issued due within one year	42,533	–	–	42,533
	2,849,858	–	–	2,849,858
Net Current Assets	1,798,264	–	(10,493)	1,787,771
Total Assets Less Current Liabilities	5,962,251	–	(7,870)	5,954,381

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 (After merger accounting restatement)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Liabilities				
Deferred tax liabilities	338,125	–	–	338,125
Amount due to a fellow subsidiary	2,271	–	–	2,271
Borrowings due after one year	1,395,170	–	–	1,395,170
Corporate bonds due after one year	536,302	–	–	536,302
Assets backed securities issued due after one year	185,204	–	–	185,204
	2,457,072	–	–	2,457,072
Net Assets	3,505,179	–	(7,870)	3,497,309
Capital and Reserves				
Share capital	78,945	–	–	78,945
Reserves	3,320,026	–	(7,607)	3,312,419
Equity attributable to owners of the Company	3,398,971	–	(7,607)	3,391,364
Non-controlling interests	106,208	–	(263)	105,945
Total Equity	3,505,179	–	(7,870)	3,497,309

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

Disaggregation of revenue *(Continued)*

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

Segments	Six months ended 30 June 2018			
	Property management services RMB'000	Community leasing, sales and other services RMB'000	Engineering services RMB'000	Total RMB'000
Revenue disclosed in segment information				
External customers	1,467,080	212,328	77,448	1,756,856
Inter-segment	395	55,746	8,703	64,844
	1,467,475	268,074	86,151	1,821,700
Elimination	(395)	(55,746)	(8,703)	(64,844)
Adjustments for lease income	–	(50,315)	(17,162)	(67,477)
Revenue from contracts with customers	1,467,080	162,013	60,286	1,689,379

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. SEGMENT INFORMATION

Segment revenues and results

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

Six months ended 30 June 2018 (unaudited)

	Property management services RMB'000	Community leasing, sales and other services RMB'000	Engineering services RMB'000	Elimination RMB'000	Total RMB'000
External revenue	1,467,080	212,328	77,448	–	1,756,856
Inter-segment revenue	395	55,746	8,703	(64,844)	–
Segment revenue	1,467,475	268,074	86,151	(64,844)	1,756,856
Segment profit	248,820	150,245	20,107		419,172
Changes in fair value of investment properties					4,765
Changes in fair value of financial assets at FVTPL					4,284
Share of results of associates					(908)
Share of results of joint ventures					1,273
Finance costs					(156,663)
Interest income					15,523
Exchange loss					(21,223)
Share-based payment expense					(6,548)
Other unallocated expenses					(6,081)
Profit before tax					253,594

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six month ended 30 June 2017 (unaudited)

	Property management services RMB'000	Community leasing, sales and other services RMB'000	Engineering services RMB'000	Elimination RMB'000	Total RMB'000
External revenue	576,277	110,776	59,575	–	746,628
Inter-segment revenue	452	9,688	4,615	(14,755)	–
Segment revenue	576,729	120,464	64,190	(14,755)	746,628
Segment profit	130,607	69,582	31,014		231,203
Changes in fair value of investment properties					(2,867)
Changes in fair value of financial assets at FVTPL					2,250
Share of results of associates					213
Share of result of a joint venture					(45)
Finance costs					(49,183)
Interest income					15,986
Share-based payment expense					(22,397)
Other unallocated expenses					(3,919)
Profit before tax					171,241

Segment assets and liabilities

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Current tax		
PRC EIT	82,809	62,091
Deferred tax	(20,350)	(6,188)
	62,459	55,903

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs	609,766	309,996
Loss on disposal of property, plant and equipment, net	437	3,313
Amortisation of intangible assets	68,566	14,033
Depreciation for property, plant and equipment	31,794	15,433
Minimum lease payments under operating leases in rented premises	22,409	21,139
Net gain arising on financial assets at FVTPL	(4,284)	(2,250)
Impairment loss on goodwill (included in other gains and losses)	4,162	–
Impairment loss in respect of trade receivables and contract assets	6,750	8,712
Impairment loss in respect of payments on behalf of residents	18,212	7,849

7. DIVIDENDS

During the current interim period, a final dividend of HK15.00 cents, equivalent to RMB12.26 cents (2016: HK10.00 cents, equivalent to RMB8.95 cents) per share in respect of the year ended 31 December 2017 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to RMB166,237,000 (2017: RMB86,718,000).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	175,296	100,669
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earning per share	1,233,626	997,737
Effect of dilutive potential ordinary shares: Share options	1,011	–
Weighted average number of ordinary shares for the purpose of diluted earning per share	1,234,637	997,737

For the six months ended 30 June 2017, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the options were higher than the average market price per share.

For the six months ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

9. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the current interim period are summarised as below:

	Total RMB'000
At 1 January 2018 (Restated)	239,873
Additions	83,969
Disposals	(437)
Depreciation for the period	(31,794)
At 30 June 2018 (Unaudited)	291,611

10. INVESTMENT PROPERTIES

	Total RMB'000
At 1 January 2018 (Audited)	70,554
Additions (Note)	1,590
Net increase in fair value recognised in profit or loss	4,765
Disposals	(4,963)
At 30 June 2018 (Unaudited)	71,946

Note: During the six months ended 30 June 2018, pursuant to the agreements entered into with certain independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables amounting to RMB1,590,000 due to the Group.

The fair values of the Group's completed investment properties at 30 June 2018 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

11. CONTRACT ASSETS

	30 June 2018 RMB'000 (Unaudited)
Installation services	83,342
Less: allowance for doubtful debts	(5,191)
	78,151
Classified as:	
Non-current assets	13,459
Current assets	64,692
	78,151

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on installation services. The amounts are transferred out of contract assets to trade receivables when the rights become unconditional.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Trade receivables	669,002	567,188
Retention receivables	–	679
Invoices to be issued	–	20,869
	669,002	588,736
Less: allowance for doubtful debts	(43,489)	(39,441)
	625,513	549,295
Other receivables and prepayments		
Deposits	108,922	62,453
Advances to staffs	57,635	40,787
Prepayments to suppliers	158,662	258,323
Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia")	34,895	25,418
Receivables from former shareholders of subsidiaries	5,248	13,870
Others	108,625	77,728
	473,987	478,579
	1,099,500	1,027,874
Classified as:		
Non-current		
Trade receivables	–	10,983
Other receivables and prepayments	6,767	6,989
	6,767	17,972
Current		
Trade receivables	625,513	538,312
Other receivables and prepayments	467,220	471,590
	1,092,733	1,009,902
	1,099,500	1,027,874

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
0–30 days	242,295	201,062
31–90 days	175,136	134,940
91–180 days	130,069	104,620
181–365 days	62,560	57,666
Over 1 year	58,942	68,900
	669,002	567,188

Based on the past payment pattern of the trade debtors and the industry experience of the management of the Group, the presumption that default has occurred when the instrument is more than 90 days past due is rebutted. The trade receivable is considered credit-impaired when the trade receivable is more than 2 years past due.

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

13. LOAN RECEIVABLES

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
深圳乾訊科技有限公司 Shenzhen Qianxun Technology Co., Ltd. ("Shenzhen Qianxun")	(a)	–	13,000
上海銀灣生活網絡股份有限公司 Shanghai Yinwan Life Network Co., Ltd. ("Shanghai Yinwan")	(b)	32,500	32,500
Others	(c)	20,411	38,844
Fixed-rate loan receivables		52,911	84,344
Less: Amounts shown under non-current assets		(34,210)	(44,794)
Amounts shown under current assets		18,701	39,550

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

13. LOAN RECEIVABLES (Continued)

Notes:

- (a) In prior years, the Group has entered into loan agreement and supplementary agreement with Shenzhen Qianxun, which provides repair and maintenance services to the residential communities through the Group's online platform, regarding the fund provision to Shenzhen Qianxun with maturity date in January 2018. The fund advanced to Shenzhen Qianxun carries interest at 12% per annum and is unsecured. The loan receivable has been fully repaid during the current interim period.
- (b) In 2016, the Group entered into an agreement with Mr. Hu Zhubang 胡祝幫, the controlling shareholder of Shanghai Yinwan, which cooperate with the Group on the basic platform technology and ecosystem vertical services, regarding the fund provision of RMB32,500,000 with maturity date in 2019. The fund advanced to Shanghai Yinwan carries interest at 12% per annum and is secured by 5.72% equity interest in Shanghai Yinwan.
- (c) In 2017 and 2018, the Group has entered into loan agreements with several independent third parties, regarding the fund provision. The loans carry interests ranging from 10.5% to 15.0% per annum and will mature from April 2019 to November 2022. The loans are guaranteed and pledged by equity interest in a borrower or properties and land use rights held by the independent third parties. At 30 June 2018, the amounts of RMB18,701,000 (31 December 2017: RMB26,550,000) are due in one year and are classified as current assets and the amounts of RMB1,710,000 (31 December 2017: RMB12,294,000) are due after one year and are classified as non-current assets.

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Amounts due from fellow subsidiaries		
Non-trade nature	117,869	434,940
Trade nature	45,791	12,061
	163,660	447,001

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

The following is an aging analysis of trade balances due from fellow subsidiaries presented based on the invoice date at the end of the reporting period, which the invoice date represented the payment due date:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
0–30 days	15,020	1,437
31–90 days	18,578	4,307
91–180 days	5,876	–
Over 1 year	6,317	6,317
	45,791	12,061

Based on the past payment pattern of the fellow subsidiaries and the industry experience of the management of the Group, the presumption that default has occurred when the instrument is more than 90 days past due is rebutted. The trade balances due from fellow subsidiaries are considered credit-impaired when they are more than 2 years past due.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts due from non-controlling shareholders of subsidiaries		
Non-trade nature	128,231	113,153
Amounts due from related parties		
Non-trade nature	14,250	10,002
Trade nature	6,944	5,475
	21,194	15,477

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

The following is an aging analysis of trade balances due from related parties presented based on the invoice date at the end of the reporting period, which the invoice date represented the payment due date:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
91–180 days	1,469	5,475
181–365 days	5,475	–
	6,944	5,475

Based on the past payment pattern of the related parties and the industry experience of the management of the Group, the presumption that default has occurred when the instrument is more than 90 days past due is rebutted. The trade balances due from related parties are considered credit-impaired when they are more than 2 years past due.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts due from associates		
Non-trade nature	9,245	27,567
Amounts due from joint ventures		
Non-trade nature	7,123	5,292
Amount due from a director		
Non-trade nature		
— Non-current	307	323
— Current	60	60
	367	383

As at 30 June 2018, the amount due from Mr. Tang Xuebin, a director of the Company of RMB367,000 (31 December 2017: RMB383,000) represented housing loan granted by the Group for his purchases of own properties. The balance bears interest at 5.4% per annum. Based on the terms of the housing loan agreement, the amount of RMB60,000 (31 December 2017: RMB60,000) to be repaid in one year is classified as current asset and the amount of RMB307,000 (31 December 2017: RMB323,000) to be repaid after one year is classified as non-current asset.

Except for the above amount due from a director, the remaining non-trade balances with fellow subsidiaries, non-controlling shareholders of subsidiaries, associates, joint ventures and related parties are unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

15. PAYMENTS ON BEHALF OF RESIDENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Payments on behalf of residents for residential communities		
– under commission basis	603,399	490,289
– under lump sum basis (note)	154,386	101,876
– under consultancy services arrangements (note)	14,227	13,792
	772,012	605,957
Less: allowance for doubtful debts	(102,869)	(83,462)
	669,143	522,495

Note: Payments on behalf of residents under lump sum basis and consultancy service arrangements which were previously included in other receivables and prepayments are included separately in “payments on behalf of residents” in the condensed consolidated statement of financial position as at 30 June 2018 to archive a better presentation and the comparative figures have been regrouped to conform with the current period presentation.

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

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

Impairment assessments are considered by the Group on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables, amounts due from a director, fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures, payments on behalf of residents, other receivables, pledged bank deposits and bank balances), lease receivables included in trade receivables and contract assets. Details of the significant impairment assessment are set out as below.

Trade receivables and contract assets

As part of the Group’s credit risk management, the Group uses debtors’ aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0–30 days	0.5%	309,133	1,546
31–90 days	2.0%	179,192	3,584
91–180 days	6.0%	130,572	7,834
181–365 days	12.0%	64,466	7,736
Over 1 year	45.0%	62,178	27,980
		745,541	48,680

The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without under cost or effort.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

Trade receivables and contract assets *(Continued)*

Allowance for impairment of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the current interim period was as follow.

	RMB'000
Balance at 1 January 2018 (Restated) (note)	43,007
Amounts written off	(1,077)
Net remeasurement of loss allowance	6,750
Balance at 30 June 2018 (Unaudited)	48,680

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, except for the merger accounting restatement.

Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	Group definition of category
Type I	Communities for which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations, the amounts are credit-impaired and the Group has low realistic prospect of recovery.
Type II	Communities for which the Group provides for the pre-delivery property management services for the property developers before the properties are delivered to owners, the property developers have a lower risk of default and a stronger capability to meet contractual cash flows than individual residents.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

Payments on behalf of residents *(Continued)*

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	95.0%	65,362	62,028
Type II	5.0%	76,726	3,836
Type III	1.0%	468,019	4,680
Type IV	20.0%	161,627	32,325
		771,665	102,869

The estimated loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without under cost or effort.

Allowance for impairment of payments on behalf of residents

	RMB'000
Balance at 1 January 2018 (Restated) (note)	90,389
Amounts written off	(5,732)
Net remeasurement of loss allowance	18,212
Balance at 30 June 2018 (Unaudited)	102,869

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated, except for the merger accounting restatement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

17. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Trade payables	482,473	284,159
Other payables and accruals		
Receipts on behalf of online platform merchants	16,388	3,055
Advances from customers	–	460,150
Deposits received	319,525	302,347
Other tax payable	66,730	70,480
Rental payable	3,225	1,273
Accrued staff costs	130,095	173,162
Provision for retirement benefit contributions	140,902	130,861
Consideration payables for acquisition of subsidiaries	4,669	4,937
Other payables and accruals	77,122	61,560
	758,656	1,207,825
	1,241,129	1,491,984

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
0–60 days	346,005	177,014
61–180 days	108,120	79,717
181–365 days	26,649	18,395
Over 1 year	1,699	9,033
	482,473	284,159

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

18. RECEIPTS ON BEHALF OF RESIDENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Receipts on behalf of residents for residential communities		
– under commission basis	106,318	157,872
– under lump sum basis (note)	143,051	214,450
– under consultancy service arrangements (note)	12,646	10,033
	262,015	382,355

Note: Receipts on behalf of residents under lump sum basis and consultancy service arrangements which were previously included in other payables and accruals are included separately in “receipts on behalf of residents” in the condensed consolidated statement of financial position as at 30 June 2018 to archive a better presentation and the comparative figures have been regrouped to conform with the current period presentation.

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts due to fellow subsidiaries		
Non-trade nature (note)	425,466	5,850
Trade nature	20,136	9,161
	445,602	15,011

Note: Included in amounts due to fellow subsidiaries, amount of RMB418,687,000 represents the consideration payables regarding the Transaction as set out in note 1 and 23(a).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Amounts due to fellow subsidiaries		
— Non-current	1,796	2,271
— Current	443,806	12,740
	445,602	15,011

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts due to non-controlling shareholders of subsidiaries		
Non-trade	26,120	16,472
Amounts due to associates		
Non-trade	12,512	13,513
Amounts due to joint ventures		
Non-trade	11,017	7,153
Amounts due to related parties		
Non-trade	22,709	–

During the year ended 31 December 2016, the Group has borrowed RMB15,360,000 from 深圳市前海花樣年金融服務有限公司, Shenzhen Qianhai Fantasia Financial Services Co., Ltd. ("Shenzhen Qianhai"), a fellow subsidiary of the Company to purchase its equipment. The loans bear interest ranging from 13.2% to 16.5% per annum and matures from 15 July 2016 to 15 October 2021. The loans are guaranteed by a subsidiary of the Company, a non-controlling shareholder of the subsidiary and an independent third party. As at 30 June 2018, the balance due to Shenzhen Qianhai is RMB3,378,000 (31 December 2017: RMB3,855,000).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

20. BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Restated)
Secured bank loans	323,480	542,360
Secured other loans	637,870	–
Unsecured bank loans	290,163	437,621
Unsecured other loans (note)	2,049,600	1,089,219
	3,301,113	2,069,200
Less: Amounts due within one year shown under current liabilities	(1,619,260)	(674,030)
Amounts shown under non-current liabilities	1,681,853	1,395,170

Note: Included in other loans, amount of RMB1,000,000,000 represents loan provided by a former joint venture partner of Shenzhen Wanxiang and carries interest at 8.63% per annum. Upon the revision of the terms of the cooperation agreement of Shenzhen Wanxiang as set out in note 1, the former joint venture partner is entitled to a fixed return in Shenzhen Wanxiang and became fund provider to Shenzhen Wanxiang.

During the current interim period, the Group obtain new borrowings amounting to RMB1,848,671,000 (six months ended 30 June 2017: RMB253,042,000) and repaid borrowings amounting to RMB637,981,000 (six months ended 30 June 2017: RMB161,323,000).

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

21. CORPORATE BONDS

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

	RMB'000
At 1 January 2018 (Audited)	552,602
Effective interest recognised	21,826
Payment of interests	(6,700)
At 30 June 2018 (Unaudited)	567,728

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

21. CORPORATE BONDS (Continued)

Analysis for reporting purpose:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current	129,267	16,300
Non-current	438,461	536,302
	567,728	552,602

22. ASSETS BACKED SECURITIES ISSUED

The movement of the assets backed securities ("ABS") during the period is set out below:

	RMB'000
At 1 January 2018 (Audited)	227,737
Net proceeds on the date of issuance of ABS	98,236
Effective interest recognised	11,316
Repayment of principal	(27,500)
Payment of interests	(6,773)
At 30 June 2018 (Unaudited)	303,016

Analysis for reporting purpose:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current	50,028	42,533
Non-current	252,988	185,204
	303,016	227,737

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

22. ASSETS BACKED SECURITIES ISSUED (Continued)

During the current interim period, Shenzhen Colour Life Services Group Co., Ltd. 深圳市彩生活服務集團有限公司 (“Shenzhen Colour Life”), a wholly-owned subsidiary of the Company, newly issued the ABS under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia Group (China) Co., Ltd. 花樣年集團(中國)有限公司 (“Fantasia China”). The ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of ABS amounting to RMB36,000,000, at the end of second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of ABS may at their options (“Put Option”) to sell back the ABS to the Group in whole or in part at face value of their principal amount. The directors considered that the fair value of the Put Option is insignificant on initial recognition and 30 June 2018.

23. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each			
Authorised			
1 January 2018 and 30 June 2018		50,000,000	5,000,000
Issued and fully paid			
At 1 January 2018		995,741	99,574
Issue of shares and cash consideration upon combination of entities under common control	(a)	231,500	23,150
Placement of new shares	(b)	87,246	8,725
Issue of shares upon exercise of share options		11,996	1,200
At 30 June 2018		1,326,483	132,649
			Amount RMB'000
Shown in the condensed consolidated financial statement as:			
At 30 June 2018 (Unaudited)			106,587
At 31 December 2017 (Audited)			78,945

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

23. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to the sales and purchase agreement between the Group and Fantasia Group, the consideration of the Transaction was satisfied by the issuance of 231,500,000 ordinary shares of the Company to Fantasia Holdings and cash of RMB1,014,174,000 in which RMB595,487,000 was settled during the current interim period and remaining balance of RMB418,687,000 is recognised as amounts due to fellow subsidiaries (see note 19). The shares were issued on 7 March 2018 and the fair value of the shares issued, based on the quoted price of the shares on that date, amounted to HK\$1,122,775,000, equivalent to RMB907,225,000.
- (b) On 5 January 2018, the Company issued 87,246,000 new ordinary shares for subscription price of HK\$5.00 per shares to existing shareholders. The subscription price represented a discount of approximately 7.92% to the closing price of HK\$5.43 as quoted on the Stock Exchange on 5 January 2018, being the date of subscription agreement. The shares rank pari passu with other shares in issue in all respects.

24. SHARE OPTION SCHEMES

(a) The Company

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

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2018 '000	Lapsed during the period '000	Exercised during the period '000	Outstanding at 30 June 2018 '000	
Directors	29 September 2014	N/A	520	-	-	520	
		29/9/2014 – 28/9/2015	1,064	-	-	1,064	
		29/9/2014 – 28/9/2016	1,064	-	-	1,064	
		29/9/2014 – 28/9/2017	548	-	-	548	
	30 April 2015	30/4/2015 – 29/4/2016	436	-	-	436	
		30/4/2015 – 29/4/2017	435	-	-	435	
		30/4/2015 – 29/4/2018	435	-	-	435	
	18 March 2016	18/3/2016 – 17/3/2017	427	-	-	427	
		18/3/2016 – 17/3/2018	426	-	-	426	
		18/3/2016 – 17/3/2019	426	-	-	426	
				5,781	-	-	5,781
	Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,346	-	(904)	4,442
29/9/2014 – 28/9/2015			11,078	-	(2,034)	9,044	
29/9/2014 – 28/9/2016			11,078	-	(2,034)	9,044	
29/9/2014 – 28/9/2017			5,611	-	(1,131)	4,480	
30 April 2015		30/4/2015 – 29/4/2016	5,733	-	-	5,733	
		30/4/2015 – 29/4/2017	5,732	-	-	5,732	
		30/4/2015 – 29/4/2018	5,732	-	-	5,732	
18 March 2016		18/3/2016 – 17/3/2017	8,196	(7)	(1,965)	6,224	
		18/3/2016 – 17/3/2018	8,196	(7)	(1,965)	6,224	
		18/3/2016 – 17/3/2019	8,195	(8)	(1,963)	6,224	
				74,897	(22)	(11,996)	62,879
Total				80,678	(22)	(11,996)	68,660

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

24. SHARE OPTION SCHEMES (Continued)

(a) The Company (Continued)

The Group recognised the total expense of RMB6,548,000 for current interim period (six months ended 30 June 2017: RMB22,397,000) in relation to share options granted by the Company.

During the current interim period, 20,000 share options granted by the Company were lapsed.

(b) Fantasia Holdings

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

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2018 '000	Lapsed during the period '000	Exercised during the period '000	Outstanding at 30 June 2018 '000
Directors of the Company	29 August 2011	29/8/2011 – 28/8/2012	634	–	–	634
		29/8/2011 – 28/8/2013	1,268	–	–	1,268
		29/8/2011 – 28/8/2014	4,438	–	–	4,438
	16 October 2012	16/10/2012 – 15/10/2013	861	–	–	861
		16/10/2012 – 15/10/2014	1,722	–	–	1,722
		16/10/2012 – 15/10/2015	6,027	–	–	6,027
			14,950	–	–	14,950
Employees of the Group	29 August 2011	29/8/2011 – 28/8/2012	112	–	–	112
		29/8/2011 – 28/8/2013	224	–	–	224
		29/8/2011 – 28/8/2014	784	–	–	784
	16 October 2012	16/10/2012 – 15/10/2013	112	–	–	112
		16/10/2012 – 15/10/2014	224	–	–	224
		16/10/2012 – 15/10/2015	784	–	–	784
			2,240	–	–	2,240
Total			17,190	–	–	17,190

No expense for the six months ended 30 June 2018 and 2017 in relation to share options granted by Fantasia Holdings to the eligible directors and employees to the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

25. SHARE AWARD SCHEME

The Board of Directors of the Company has adopted a share award scheme (the “Share Award Scheme”) on 4 July 2016 for certain employees of the Group and consultants to the Group (the “Grantees”) as incentives or rewards for their contribution or potential contribution to the Group by way of the Company’s shares acquired by and held through an independent trustee appointed by the Company (the “Trustee”) until fulfilment of special conditions before vesting.

At 30 June 2018 and 31 December 2017, the aggregate consideration paid for these shares in an amount of RMB9,010,000 was deducted from shareholders’ equity.

As at 30 June 2018, the shares held for the Share Award Scheme have not been awarded to eligible employees or consultants of the Group.

26. ACQUISITION OF SUBSIDIARIES

For the period ended 30 June 2018

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

The above subsidiaries are acquired from independent third parties and principally engaged in provision of property management services and the objective of the acquisition is the expansion of property management service of the Group.

Consideration transferred

	RMB’000
Deposits paid in prior years	5,589

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

26. ACQUISITION OF SUBSIDIARIES (Continued)

For the period ended 30 June 2018 (Continued)

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

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

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

Goodwill arising on acquisition

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

Goodwill arose on the acquisition of subsidiaries, because the cost of the business combination included a control premium. In addition, the consideration paid for the business combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

Goodwill arising on acquisition (Continued)

For the current interim period, goodwill of RMB7,774,000 in relation to the acquisition of subsidiaries under property management segment have been recognised by the Group.

None of the goodwill arising on the acquisition are expected to be deductible for tax purposes. The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash inflows arising on acquisition

	RMB'000
Bank balances and cash acquired	215

Impact of acquisition on the results of the Group

Revenue and profits attributable by the additional businesses generated by the acquirees included in the Group since the date of acquisition until the end of the period during the current interim period are as follows:

	Six months ended 30 June 2018
	RMB'000
Revenue	555
Profit for the period	224

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

26. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

Had the above acquisition been completed on 1 January 2018, the total Group's revenue and profit for the current interim period would be as follow:

	Six months ended 30 June 2018 RMB'000
Revenue	1,757,134
Profit for the period	191,470

The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group for the current interim period that actually would have been achieved had the acquisition been completed on 1 January 2018 nor is it intended to be a projection of future results.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	44,036	43,221
Between one and five years	170,606	169,698
Over five years	352,856	375,614
	567,498	588,533

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

27. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	125,953	99,038
Between one and five years	297,640	266,398
Over five years	165,087	138,357
	588,680	503,793

28. CAPITAL AND OTHER COMMITMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the condensed consolidated financial statements	59,610	2,120
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	34,895	23,066

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	
Financial assets at FVTPL	69,358	191,898	Level 3
Available-for-sale investments	–	148,457	Level 3
Equity instruments designated at FVTOCI	120,245	–	Level 3

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

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

	Fair value hierarchy	30 June 2018	30 June 2018	31 December 2017	31 December 2017
		Carrying amount RMB'000 (Unaudited)	Fair value RMB'000	Carrying amount RMB'000 (Audited)	Fair value RMB'000
Unlisted corporate bonds	Level 3	567,728	574,644	552,602	569,672
Assets backed securities issued	Level 3	303,016	296,408	227,737	238,703

The management of the Group estimates the fair value of other financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

30. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Engineering services income		
Fellow subsidiaries	39,095	4,373
Associates	44	166
Pre-sales services income		
Fellow subsidiaries	89	2,670
Consultancy services income		
A related party, a former joint venture of Fantasia Holdings	–	17,673
An associate	467	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

30. RELATED PARTY DISCLOSURES (Continued)

(a) Related party transactions (Continued)

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Online promotion services income		
An entity controlled by Mr. Pan Jun, a director of the Company	25,306	–
A joint venture	3,438	–
A fellow subsidiary	–	20,986
Energy-saving services fees		
An associate	–	38
An entity controlled by Mr. Pan Jun, a director of the Company	–	102
Leasing information system software income		
An entity controlled by Mr. Pan Jun, a director of the Company	1,358	1,358
Associates	203	65
Sales and rental assistance		
Fellow subsidiaries	7,176	–
Other services income included in community leasing, sales and other services segment		
An associate	927	16
Interest expenses		
A fellow subsidiary	316	985
Interest income		
Mr. Tang Xuebin, a director of the Company	9	9
Fellow subsidiaries	–	2,587

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

30. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Short-term employee benefits	9,346	7,433
Post-employment benefits	299	260
Share-based payments	1,610	3,085
	11,255	10,778

31. MAJOR NON-CASH TRANSACTION

During the current interim period, the Group acquired Wanxiangmei from Fantasia Group. Part of the consideration has been settled by the issuance of 231,500,000 ordinary shares of the Company to Fantasia Holdings, as detailed in note 1.



In The People's Republic Of China Headquarters

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