彩生活

Stock code: 1778

2018 ANNUAL REPORT

SERVICE TO YOUR FAMILY

Colour Life Services Group Co., Limited

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Xuebin
(Chief Executive Officer)
Mr. Dong Dong
Mr. Huang Wei
(appointed on 20 July 2018)

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. Luo Shuyu

AUTHORISED REPRESENTATIVES

Ms. Luo Shuyu

REGISTERED OFFICE

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

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

Room 1203–09
Qixing Commercial Plaza B
Meilong Avenue
Long Hua District
Shenzhen, the PRC

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

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

STOCK CODE

The Stock Exchange of Hong Kong
Limited: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

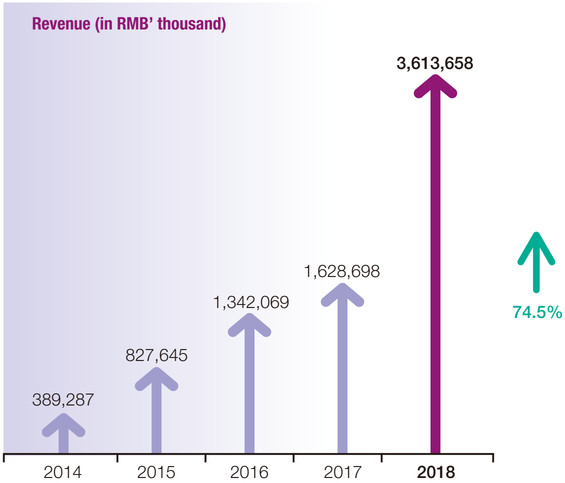
HONG KONG BRANCH SHARE REGISTRAR

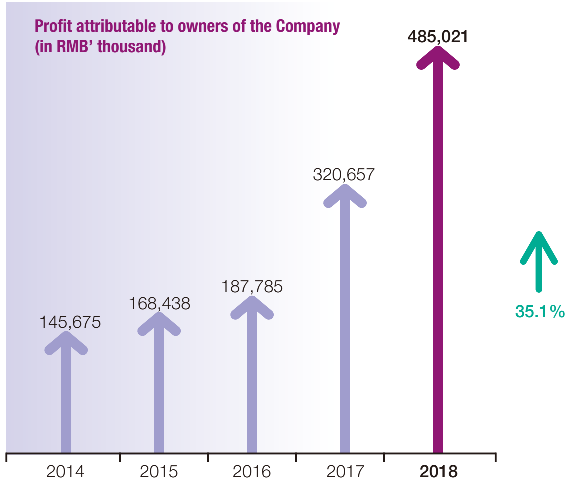
Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

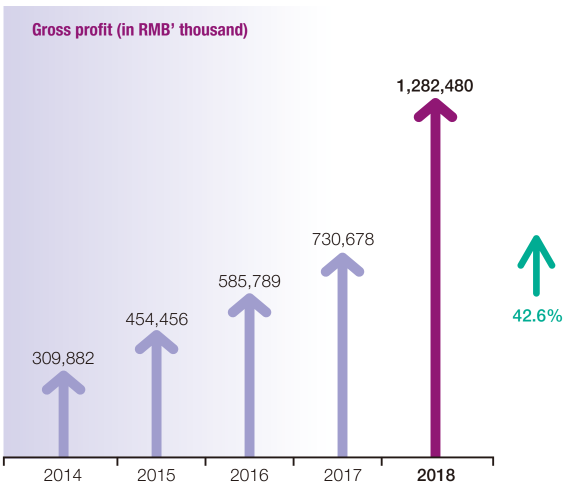
PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

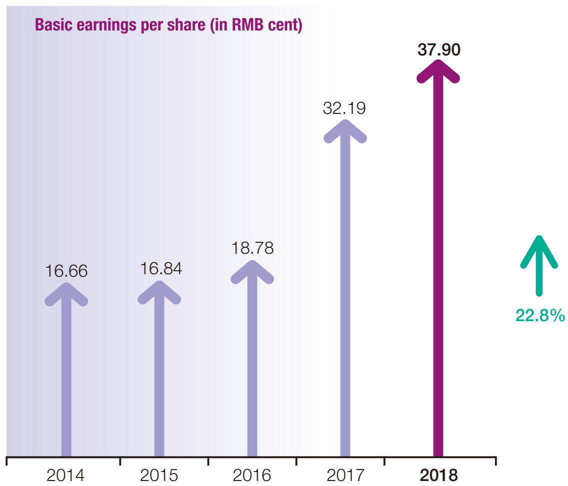
Bank of China Limited
Industrial and Commercial Bank of
China Limited

FINANCIAL HIGHLIGHTS









	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000 (Restated)	**2018** **RMB'000**
Revenue	389,287	827,645	1,342,069	1,628,698	**3,613,658**
Gross profit	309,882	454,456	585,789	730,678	**1,282,480**
Profit attributable to owners of the Company	145,675	168,438	187,785	320,657	**485,021**
Basic earnings per share *(RMB cents)*	16.66	16.84	18.78	32.19	**37.90**
Total assets	1,599,731	2,719,156	4,022,608	8,812,109	**10,066,293**
Total liabilities	512,467	1,418,424	2,490,136	5,306,930	**6,810,154**
Bank balances and cash	687,031	419,478	754,837	1,847,528	**2,666,922**

HONORS AND AWARDS

Colour Life was granted the honors and awards as follows:

1. In June 2018, Colour Life Services Group Co., Limited (the "Company", together 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.

6. In September 2018, the Group was honoured as the "2018 China Property Management Companies with Leading Brand in Market-oriented Operation" by China Index Academy.

證 書
CERTIFICATE
2018中国物业服务百强企业
2018 China TOP100 Property Management Companies
彩生活服务集团有限公司
荣获 2009-2018 连续十年中国物业服务百强企业

證 書
CERTIFICATE
2018中国特色物业服务领先企业
彩生活服务集团有限公司
荣获 2018 中国特色物业服务领先企业——智慧社区

證 書
CERTIFICATE
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2018 China TOP100 Property Management Companies
彩生活服务集团有限公司
荣获 2018 中国物业服务百强满意度领先企业

證 書
CERTIFICATE
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2018 China TOP100 Property Management Companies
彩生活服务集团有限公司
荣获 2018 中国物业服务百强企业成长性 TOP10

證 書
CERTIFICATE
2018中国物业服务百强企业
2018 China TOP100 Property Management Companies
彩生活服务集团有限公司
荣获 2018 中国物业服务百强企业服务规模 TOP10

證 書
CERTIFICATE
中国物业服务品牌价值研究成果鉴定书
Certificate of China Property Management Brand Value

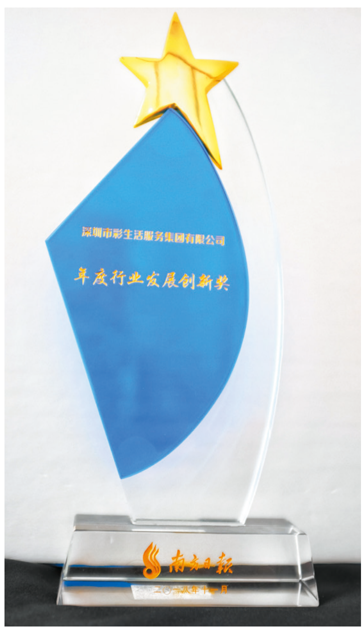
HONORS
AND AWARDS

7. In October 2018, the Group's wholly-owned subsidiary, Shenzhen Colour Life Services Group Company Limited, was honoured as the "Outstanding Organisation Award" by Second International Property Management Industry Expo in terms of its innovative showroom design and professional and diligent service and reception.

8. In October 2018, the Group was honoured as the "2018 Top 100 Property Management Companies in terms of Comprehensive Strength" by China Property Management Institute.

9. In October 2018, the Group was honoured as the "2018 Golden Wings Award" – "Most Growth Potential Companies in terms of Southbound Trading" hosted by Securities Times.

10. In November 2018, the Group's wholly-owned subsidiary, Shenzhen Colour Life Services Group Company Limited, was honoured as the "2018 Innovative Development Summit among Guangdong, Hong Kong and Macau" – "Yearly Industrial Development and Innovation Award" hosted by Nanfang Daily Media.



HONORS
AND AWARDS

11. In December 2018, the Group was honoured as the "2018 Golden Lion Award" – "Most Potential Growth Companies" hosted by Sina Finance in terms of its excellent comprehensive strengths.

12. In December 2018, Shenzhen Colour Life Property Management Co., Ltd., a wholly-owned subsidiary of the Group, was honoured as the "Outstanding Charity Contribution Award" by Shenzhen Property Management Association due to its contributions to public charities.

13. In January 2019, the Group was honoured as the "the Best Innovative Award" at the Second China Excellent IR Management Award hosted by Road Show China.

14. In January 2019, the Group was awarded as "The Best Listed Company for Investor Relations Management" in the 2018 Hong Kong Stocks Award organised by Zhitongcaijing.

15. In January 2019, Shenzhen Colour Life Property Management Co., Ltd., a wholly-owned subsidiary of the Group, was honoured as the "Special Contribution Outstanding Companies Award" by Shenzhen Property Management Association.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was the awakening year for the entire property management industry. First of all, it awakened the capital of the industry. We can see after Colour Life was listed in 2014, a total of over 10 property management enterprises were listed in 2018, of which 11 were in Hong Kong and 1 in A-share market. Behind this capital awakening, it was the value awakening of the entire industry. More and more property management enterprises had tried to explore business diversification besides their traditional property management business. Asset management, appraisal and planning, sales agency, community-based elderly services, community-based new retails and other value creation concepts among others were introduced, which kept on breaking the boundaries of the traditional property management industry value and ushered in various imaginable opportunities for the industry. Finally, it was the awakening of Internet of property management industry. In 2018, almost all Internet-based platforms have explored cooperation opportunities with traditional industries, including the property management industry. "Industrial" empowerment has become the key word. During the year, we forged ahead in this awakening, implemented our development strategies and achieved remarkable progress.

During the year, we integrated Wanxiangmei Property Management Co., Ltd. ("WXM" or Wanxiangmei, formerly known as "Wanda Property Management Co., Ltd.") successfully with fruitful results in size expansion. As at 31 December 2018, the Contracted GFA of the Group reached 553.7 million sq. m., servicing 2,709 communities. Led by our platform output strategy, the Group concluded cooperation with 95 companies with 318.6 million sq. m. in terms of cooperate GFA and 250.0 million sq.m under the Group's alliance agreement. The service area of Caizhiyun platform reached 1,122.3 million sq. m.

In 2018, the revenue from value-added business increased 47.5% to RMB408.4 million year-on-year, representing a contribution of 33.6% of its profit. The profit structure was further optimized.

During the year, the Group continued to consolidate its principal businesses and carried out improvement and re-creation works in various dimensions and achieved breakthroughs in efficiency, operation and innovation. In 2018, the revenue and net profit from principal businesses were RMB3,613.7 million and RMB518.0 million respectively, representing a year-on-year increase of 121.9% and 47.7%, respectively. The cash flow in operating activities reached RMB525.9 million, achieved dual improvement in both profit scale and quality.

During the year, we introduced new services and reshaped the service relationship between people and property management with "Colour Benefits Life" ("彩惠人生") achieved strategic progresses in ecosystem establishment.

ACHIEVING PLATFORM-BASED BASIC PROPERTY MANAGEMENT FUNCTIONS THROUGH "BIG DIPPER" STRATEGY

As basic property management resembles the nature of public services, increase in property management fee becomes highly sensitive. Furthermore, escalating yearly labour costs pose higher requirements in enterprise operation efficiency. At the same time, how to break the management bottlenecks and balance the relationship between scale expansion and management's quality has gradually become a core element in measuring whether an enterprise can achieve its long-term development or not.

With years of accumulated property management experience, the Group achieved high property management services quality through continuous technological transformation, and had ensured that its service quality would not be affected under management coverage expansion. Through leveraging its background information technical platform, it achieved the centralization, standardization and automation of various service functions in basic property management, reduced supervisory and management staff intervention, lowered labour costs and improved overall management efficiency.

CHAIRMAN'S STATEMENT

In 2018, we further implemented the order-oriented strategy and broke the entire property management process into details. We motivated labour proactiveness of service providers through household contracts and the concept of paying more for working more. Specifically, the order-oriented strategy was gradually implemented in seven major service segments, namely E-Security, E-Repair (including e-Lift), E-Energy, E-Cleaning, E-Greening, E-Payment and Complaint. For example, the E-Security split all patrol routes into various orders with each order having its fixed time and location for patrol routes. Security staff can take the order and accomplish the task directly without any management arrangement and deployment. The E-Repair platform changed the conventional in situ repair model and avoided time wasting of repair personnel in situ. It also introduced the platform-based quality management, control and appraisal system to improve repair quality and maintenance services. The E-Payment platform split the property management fees by nature and daily financial statements can be generated automatically after financial staff have input the corresponding data, thus improved financial staff work efficiency. In the future, more services will be conducted by order-oriented transformation and through empowering technological platforms, more labour force will be released.

However, this does not imply that property management will fully enter into an "unstaffed era". On the contrary, with the increasing demand of property management enterprises exploring community service opportunities, human managers who are good at observing users' needs and consistently exploring users' information will be increasingly irreplaceable. These service staff will play key roles in the future competition among property management enterprises as continuous human contact remains the carrier of trust relationship. The platform-oriented management function can unleash the tremendous creativity of front-line staff, enable them to put more efforts in exploring community consumption scenarios.

COLOUR BENEFITS LIFE TRANSFORMED "PAYMENT" INTO "CONSUMPTION" AND VITALIZED COMMUNITY CONSUMPTION SCENARIOS

For a long period of time, property management enterprises providing basic property management services and residents paying property management fees has become a natural payment scenario. However, by its nature, the word "charging" implies an opposing relationship to a certain extent. How to change this opposing relationship through "users' thinking" and transform it into an active service relationship in real sense has become the core when exploring the community service industry.

The Group cooperated with a third party and introduced the "Colour Benefits Life" service platform in the beginning of 2018 for the purpose of achieving all-win results of Colour Life, suppliers and owners. Based on the "rigid and high-frequent demand", we introduced various daily life commodities into the "Colour Benefits Life" platform to help suppliers saving marketing expenses. At the same time, through establishing front-end warehouses in the community, it reduced logistic and other delivery costs. Suppliers will return the part of the fees and costs saved to homeowners and use them to deduct and reduce property management charges. From "charging" to "consumption", "Colour Benefits Life" preliminarily achieved an innovative charging relationship in property management. On the other hand, the model will reduce the sensitivity of homeowners in property management fee and lower the hindrance in property management fee increase, thus helping Colour Life to obtain price determination right in property management fee.

"Colour Benefits Life" quickly received its recognition by homeowners since its introduction. As at 31 December 2018, 260,000 users have transacted on the "Colour Benefits Life" platform and transaction amount reached RMB70.9 million with 1.8 million orders, offsetting property management fees of RMB36.2 million. Meanwhile, the Group keeps on activating community consumption scenarios and innovating the value-added business development path to enhance brand value.

CHAIRMAN'S **STATEMENT**

We believe that the final watershed in enterprise growth is to reshape the "relationship between enterprise and the society". An enterprise can achieve sustainable development not only from its own commercial interest but also from social caring to while leading and transforming an industry, minimizing its development resistance to the greatest extent. Colour Life provides tangible benefits to homeowners through "Colour Benefits Life" and achieves the improvement and upgrading of payment relationship using an innovative approach, which is also our construction of "following the tide" under the Internet wave.

DEVELOPING COMMUNITY FLOW WITH USER THINKING AND EXPLORING VALUE-ADDED BUSINESSES

We believe that providing community services for millions of homeowners form the base of a huge blue ocean. From "property management" to "Internet + community" and from "managing property" to "serving people", Colour Life has been exploring its road of transformation for years. While advancing towards a community platform-based enterprise, we deeply know that community scenario is the "soil" and all products in the community ecosystem shall be rooted from it. We are thinking of how to obtain more community "soil" for further in-depth development with higher efficiency. Currently, the entire industry seeks expansion through mergers and acquisitions with "high leverage and heavy assets". However, we believe that when comparing with the traditional approach of grasping control over "property management sites", we should show more concerns about "users". Hence, the Group has transformed itself to seek the expansion model of light assets, namely the platform output strategy.

Through outputting the sophisticated Caizhiyun platform to prominent partners in the industry one after another, Colour Life gradually empowers the industry, and its user scale has achieved breakthroughs in terms of contracted management area limitation of Colour Life. As at 31 December 2018, the cooperation and alliance GFA of Colour Life through its platform output expansion had reached 568.6 million sq. m, representing a year-on-year increase of 22.5%. Together with its Contracted GFA of 553.7 million sq. m., the platform service area of Caizhiyun had reached 1,122.3 million sq. m.

With increasing platform service coverage, our strength in users scale was further consolidated. As at 31 December 2018, the number of registered users in Colour Life's ecosystem had exceeded 26.4 million and active users reached 14.0 million, representing an active ratio of 53.0%. By using property management service as a base, we developed a natural "link" with homeowners. Every contact with homeowners in the community will explore their potential demand and in turn further develop more value-added businesses. We have been expanding the ecosystem of services from repairing, cleaning, house renting and other services that are closely related to the basic property management services, vitalizing the commercial resources in the community and building a B2F (Business to Family) ecosystem that meets the diversified demand of homeowners' families. From January to December 2018, the transaction amount of Caizhiyun platform reached RMB9,448.0 million, representing a year-on-year increase of 24.1%, driving the revenue from value-added businesses to hike 47.5% to RMB408.4 million. Its contributions made up of 33.6% of the profit, and profit quality also improved significantly.

CHAIRMAN'S STATEMENT

PROSPECTS IN 2019

In 2019, Colour Life will optimize and propel the "Colour Benefits Life" platform comprehensively and strive to achieve the gradual replacement of "consumption" by "payment" with more community users using "Colour Benefits Life", so that brand new living experience in the community will be eventually achieved. At the same time, we will introduce "Colour Benefits Partners" module within the community, achieve the continuous "fission" of management fee "payment" through the community user relationship chain who have enjoyed excellent product experience. Finally, it will empower new retail opportunities in the community and revitalize every factor in the community.

In 2019, Colour Life will continue to improve its property management efficiency through the "Big Dipper" Strategy. We will prioritize users in every position and pay more for working more with the Internet-based order module systems in different professional dimensions through the "Big Dipper" basic properties and stimulate the proactivity of every staff in every community. We will achieve online basic property management services, divide every piece of work and consider each project as an operation entity to improve service efficiency and facilitate management fee increase of certain projects.

In 2019, we will keep our mind open, surpass boundaries, display more advantages and innovate the future to serve the community together and create more value for them.

I would like to thank the long-term partners of Colour Life during our development. We will soldier on again in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading community service platform in 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 service for the residents of the community.

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, 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.

To further refine corporate management and improve service efficiency, the Group proposed the "Big Dipper Strategy" to optimize the community services with the innovative use of mobile internet. By implementing the seven functions including E-Repair, E-Cleaning, E-Security and E-Gardening, etc., the Group initially realized the order-oriented fundamental property services and further enhanced the service efficiency of the Group. For instance, with the repair expenses per unit area remained unchanged, the equipment availability was increased by 10 percentage points as a result of implementing E-Repair. With a 10% reduction in cleaning expenses per unit area, customer satisfaction rate has increased by 5 percentage points as a result of E-Cleaning implementation.

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. In addition, 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 visit 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS DEVELOPMENT

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, 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 occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of contracted GFA under management will thus be called the "revenue-bearing GFA". The difference between the total contract GFA and the revenue- bearing GFA is the reserved GFA which will be transferred to the revenue-bearing GFA in future. On the other hand, the Group adhered to its strategy of rapid expansion in recent years. It started to provide the underlying technology of Caizhiyun APP to other enterprises in the industry. Today, Caizhiyun APP can serve the communities which our partners have provided property management services. The area managed by our partners is called the "cooperated GFA". In addition, Colour Life has cooperated with Shanghai Yinwan Life Network Co., Ltd. (hereinafter referred to as "Shanghai Yinwan") since 2016. Shanghai Yinwan has also launched its online platform through its strategic alliance with other property management companies. Therefore, the above property management companies also indirectly cooperate with Colour Life, and will use the online platform of Colour Life in future. The area which is provided property management services by the companies under the strategic alliance with Shanghai Yinwan is called the "allianced GFA". 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 the Target Group, 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. Wanxiangmei became a wholly-owned subsidiary of the Group. Wanxiangmei 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 Wanxiangmei'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.

Besides the aforementioned merger and acquisition measures, the Group also focused on driving its organic growth through reputation and branding. Meanwhile, with our outstanding property management experience, the newly engaged management area reached 74.3 million sq.m. in 2018, demonstrating Colour Life's core competitive strengths on brand reputation, service quality and market expansion.

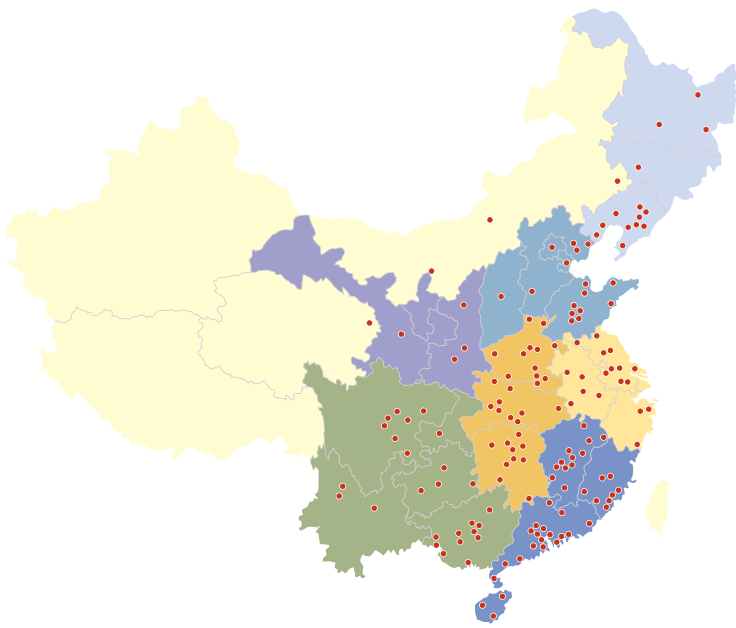
MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, GFA under management contracts and consultancy service arrangements of the Group (hereafter referred to as the "Contracted GFA") reached 553.7 million sq.m. and the number of communities under the Group's management and consultancy services contracts reached 2,709, representing a year-on-year growth of 27.0% and 13.6%, respectively. As at 31 December 2018, the number of the Group's revenue-bearing GFA reached 363.2 million sq.m. and the number of communities reached 2,294. The Group's management projects cover 268 cities in China, achieving rapid expansion of the Contracted GFA.

On the other hand, the transformation of the Group's business structure became more secure with the supporting business and financial data. Despite the impact of the increase in property management service income from the acquisition of Wanxiangmei, in 2018, the contribution of value-added services to the Group's profit still maintained at a high of 33.6%. This was benefited from the richer portfolios of product companies in the ecosystem as well as better recognition of the 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. During the reporting period, the Group entered into cooperation with Shaanxi Wanyuan through the platform output, which entered into government outsourced contracts for "water, electricity, heating and property management services" in Shaanxi Province. It reached cooperation with Changsha Public Security Bureau, which fully demonstrated the scientific and technological strength of the online platform of Colour Life. As at 31 December 2018, the service area of Colour Life's platform was 1,122.3 million sq. m., which included 553.7 million sq. m. for Contracted GFA, 318.6 million sq. m. for cooperated area and 250.0 million sq.m. for allianced area.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 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
50 Baoting Li and Miao Autonomous County
51 Qionghai
52 Maoming
53 Chaozhou

Eastern China
54 Changzhou
55 Dongtai
56 Gaoyou
57 Huai'an
58 Jiangyin
59 Jurong
60 Lianyungang
61 Nanjing
62 Nantong
63 Shanghai
64 Suzhou
65 Wuxi
66 Wuhu
67 Yancheng
68 Yangzhou
69 Changshu
70 Kunshan
71 Xuzhou
72 Hangzhou
73 Chuzhou
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81 Bengbu
82 Hefei
83 Jining
84 Lu'an
85 Qingdao
86 Shaoxing
87 Taicang
88 Wenzhou
89 Jinan
90 Suqian
91 Tai'an
92 Heze
93 Huaibei
94 Jinhua
95 Liaocheng
96 Taizhou
97 Taihe
98 Zaozhuang
99 Weifang
100 Dongying
101 Dezhou
102 Ningbo
103 Shouguang
104 Xinyi
105 Rizhao
106 Qufu
107 Maanshan
108 Yixing
109 Taizhou
110 Yuyao
111 Zhuji
112 Heze
113 Huangshan
114 Ledong
115 Tongling

Southwestern China
116 Chengdu
117 Liuzhou
118 Dali
119 Guilin
120 Nanning
121 Zigong
122 Chongzuo
123 Baise
124 Guigang
125 Zunyi
126 Guiyang
127 Fangchenggang
128 Deyang
129 Guang'an
130 Laibin
131 Lijiang
132 Mianyang
133 Pingnan
134 Suining
135 Tongren
136 Yizhou
137 Chongqing
138 Ziyang
139 Anshun
140 Beihai
141 Guanghan
142 Kunming
143 Guangyuan
144 Neijiang
145 Duyun
146 Fuquan
147 Longli
148 Majiang
149 Bazhong
150 Wuzhou
151 Bijie
152 Emeishan
153 Leshan
154 Liupanshui
155 Qiandongnan Miao and Dong Autonomous Prefecture
156 Qinzhou
157 Wenshan
158 Yulin
159 Yibin
160 Meitan
161 Xishuangbanna
162 Meishan
163 Qiannan Buyi and Miao Autonomous Prefecture
164 Qianxinan Buyi and Miao Autonomous Prefecture
165 Nanchong

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

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

Northern' China
204 Beijing
205 Qinhuangdao
206 Tianjin
207 Shijiazhuang
208 Baotou
209 Tongliao
210 Wuhai
211 Taiyuan
212 Tangshan
213 Hulunbuir
214 Ulanqab
215 Langfang
216 Datong
217 Baoding
218 Changzhi
219 Hohhot
220 Xingtai
221 Chengde

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group recorded a sustained growth in total platform service area. The following table sets out the total contracted gross floor area ("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 as at the dates indicated below:

	As at 31 December 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 Contracted GFA ('000 sq.m.)	Number	Total Contracted GFA ('000 sq.m.)	Number	Total Contracted GFA ('000 sq.m.)	Number	Total Contracted GFA ('000 sq.m.)	Number	Total Contracted GFA ('000 sq.m.)	Number	Total Contracted GFA ('000 sq.m.)	Number
Shenzhen	9,833	132	753	18	193	4	9,644	130	754	18	–	–
Southern China (excluding Shenzhen)(1)	90,649	565	2,589	8	71,085	589	75,153	508	7,621	23	44,403	288
Eastern China(2)	142,665	861	2,019	7	53,332	414	115,318	744	11,357	31	27,534	290
Southwestern China(3)	100,083	402	968	3	91,499	388	83,778	352	2,163	6	82,609	352
Northeastern China(4)	21,462	99	1,216	8	3,301	6	11,358	59	3,758	17	881	5
Northwestern China(5)	16,687	91	3,506	2	46,603	453	14,594	68	275	2	35,313	359
Northern China(6)	35,221	142	2	1	7,826	47	17,853	79	2,585	7	1,942	19
Central China(7)	125,699	369	300	1	44,760	314	76,571	331	3,202	9	21,548	157
Total(8)	542,299	2,661	11,353	48	318,599	2,215	404,269	2,271	31,715	113	214,230	1,470

Notes:

(1) The Group newly entered Jinjiang, Fuqing, Jiangmen, Baoting Li and Miao Autonomous County, Qionghai, Maoming and Chaozhou as at 31 December 2018.

(2) The Group newly entered Shouguang, Xinyi, Rizhao, Qufu, Maanshan, Yixing, Taizhou, Yuyao, Zhuji, Heze, Huangshan, Ledong, and Tongling as at 31 December 2018.

(3) The Group newly entered Meitan, Xishuangbanna, Meishan, Qiannan Buyi and Miao Autonomous Prefecture, Qianxinan Buyi and Miao Autonomous Prefecture and Nanchong as at 31 December 2018.

(4) The Group newly entered Jixi, Qiqihar, Daqing, Jiamusi, Fusong, Fushun, Dandong, Chifeng and Siping as at 31 December 2018.

(5) The Group newly entered Bayannur, Yili Prefecture, Jincheng, Yan'an and Xianyang as at 31 December 2018.

(6) The Group newly entered Xingtai and Chengde as at 31 December 2018.

(7) The Group newly entered Yihua, Jishou, Yongzhou, Ruzhou, Ezhou and Xianning as at 31 December 2018.

(8) As at 31 December 2018, the Group's platform service area reached 1,122.3 million sq.m., including the contracted GFA of 553.7 million sq.m. managed by the Group, the contracted GFA of 318.6 million sq.m. cooperated with the Group and the GFA of 250.0 million sq.m. under alliance agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group extended its total contracted GFA coverage to 268 cities in China. As at 31 December 2018, the Group managed 2,661 communities with an aggregate contracted GFA of approximately 542.3 million sq.m. and entered into consultancy service contracts with 48 communities with an aggregate contracted GFA managed by the Group under the consultancy service arrangements of approximately 11.4 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 at the end of 2018:

	As at 31 December 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 Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of residential communities	Total Contracted GFA ('000 sq.m.)	Number of 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]	**69,938**	**195**	**4,328**	**2**	**-**	**-**	51,159	133	1,027	3	–	–
Acquisitions[2]	**53,839**	**279**	**-**	**-**	**-**	**-**	6,827	54	–	–	–	–
New cooperation[3]	**-**	**-**	**-**	**-**	**104,369**	**745**	–	–	–	–	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]	**(9,294)**	**(149)**	**(1,143)**	**(2)**	**-**	**-**	(10,441)	(96)	(2,003)	(18)	–	–
As at the end of the year	**542,299**	**2,661**	**11,353**	**48**	**318,599**	**2,215**	404,269	2,271	31,715	113	214,230	1,470

Notes:

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

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

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

(4) The Group managed to acquire some of the property management companies to which it provided consultancy service previously, 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 Wanxiangmei, so those residential GFA of Wanxiangmei under the Group's consultancy services were transferred to the GFA under the Group's self-management.

(5) 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.

(6) The Group sold majority of interests to targeted partners, transferring self-management services to online platform service, while keeping minority interests.

(7) 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

BUSINESS OVERVIEW

The Group has three main businesses:

- 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 property management companies;

- Community leasing, sales and other value-added services (also referred to as “value-added services”), which primarily include: (i) provision of online promotion services; (ii) provision of sales and rental assistance services; and (iii) provision of other value-added services; and

- Engineering services, which primarily include: (i) provision of equipment installation services; (ii) provision of repair and maintenance services; (iii) automation and other equipment upgrade services through the Group’s equipment leasing program; and (iv) provision of energy-saving services.

Along with the diversified development of Colour Life’s business in recent years, some businesses underwent name changes of their business divisions and a new business division was added. The specific details are as follows: (i) “community leasing, sales and other value-added services” was referred to as “value-added services” in 2018; (ii) the “usage fee from online promotion services and leasing information system software” division under the “value-added services” was renamed as “online promotion services”. With the growth in transaction amount of Colour Life’s online platform, the revenue from online promotion services continued to increase and hence the division was officially renamed in 2018; (iii) the “office sublet and other added-value services” division under the “value-added services” was changed to “other value-added services”, including the traditional offline on-site promotion business of the “purchase assistance” division and the community energy general modification business under E-Energy, and the office sublet business in the Eastern China Ecosystem in Shanghai which was removed in 2018; (iv) the “common area rental assistance” business under the “value-added services” is essentially a rental assistance business, therefore, it was uniformly included in the “sales and rental assistance” business in 2018 and no longer to be disclosed separately; and (v) “sales and rental assistance” under “value-added services” included two businesses of “common area rental assistance” and “residential and retail units rental and sales assistance” as well as the newly added of “Colour Life Parking Lots” business in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Scope of Services for Property Management Services

As at 31 December 2018, the Group employed over 56,466 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 31 December 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	**0.35–10.9**	**1.0–8.0**	0.35–10.0	1.0–8.0
Southern China (excluding Shenzhen)(1)	**0.45–5.91**	**0.68–8.0**	0.45–5.57	0.68–8.0
Eastern China(2)	**0.36–9.36**	**0.75–8.83**	0.36–9.36	0.75–6.5
Southwestern China(3)	**0.41–6.14**	**0.3–6.8**	0.39–6.14	0.3–6.29
Northeastern China(4)	**0.40–3.27**	**2.0–6.0**	0.40–3.27	2.0–5.0
Northwestern China(5)	**0.45–3.9**	**1.1–7**	0.45–3.9	1.1–5
Northern China(6)	**0.6–4.5**	**1.0–8.0**	0.6–4.49	1.0–7.87
Central China(7)	**0.55–3.0**	**0.85–5.0**	0.55–2.73	0.85–4.8

Notes:

(1) The Group newly entered Jinjiang, Fuqing, Jiangmen, Baoting Li and Miao Autonomous County, Qionghai, Maoming and Chaozhou as at 31 December 2018.

(2) The Group newly entered Shouguang, Xinyi, Rizhao, Qufu, Maanshan, Yixing, Taizhou, Yuyao, Zhuji, Heze, Huangshan, Ledong, and Tongling as at 31 December 2018.

(3) The Group newly entered Meitan, Xishuangbanna, Meishan, Qiannan Buyi and Miao Autonomous Prefecture, Qianxinan Buyi and Miao Autonomous Prefecture and Nanchong as at 31 December 2018.

(4) The Group newly entered Jixi, Qiqihar, Daqing, Jiamusi, Fusong, Fushun, Dandong, Chifeng and Siping as at 31 December 2018.

(5) The Group newly entered Bayannur, Yili Prefecture, Jincheng, Yan'an and Xianyang as at 31 December 2018.

(6) The Group newly entered Xingtai and Chengde as at 31 December 2018.

(7) The Group newly entered Yihua, Jishou, Yongzhou, Ruzhou, Ezhou and Xianning as at 31 December 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management Services under Commission Basis
Under commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain the specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management 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 31 December 2018, the Group provided consultancy services to 48 communities and the area of consultancy services was 11.4 million sq.m.. In the reporting period, the Group has completed the acquisition of Wanxiangmei and the area previously included in the consultancy services has been converted to contracted area managed by the Group.

Scope of Services for Value-added Services
Adhering to the value and concept of "Service to Your Family", the Group has been focusing on the extension of its diversified value-added services to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

With the promotion of more convenient ports such as WeChat applet, the number of users logging into Caizhiyun through WeChat has increased significantly. At the same time, the ecosystem product companies such as E-Parking and E-Energy have developed rapidly, and their number of users continues to rise. In order to reflect the actual operation more realistically, we decided to change the statistical standard of registered and active users to the ecosystem standard, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 31 December 2018, registered users of Colour Life's ecosystem increased to approximately 26.4 million, of which 14.0 million were ecosystem active users. For the twelve months ended 31 December 2018, the accumulated Gross Merchandise Volume ("GMV") of Caizhiyun platform reached approximately RMB9,448.0 million, representing a year-on-year increase of 24.1%. In 2018, the accumulated value-added services revenue was RMB408.4 million, a year-on-year increase of 47.5%. The gross profit margin remained at a relatively high level of 95.7%, contributing a profit 33.6%.

Specifically, the accumulated GMV of Colour Wealth Life Value-added Plan reached approximately RMB1,770.1 million. For the twelve months ended 31 December 2018, the average investment period of Colour Wealth Life has been extended from 0.47 year to 0.87 year as compared to the same period of last year, thus contributing RMB38.4 million in revenue. As driven by products such as Colour Wealth Life, the royalty income of online promotion services and rental information system software in 2018 increased by 23.5% to RMB169.4 million as compared to the same period of last year.

At the same time, the Group's new cooperation models with property developers are designed to provide quality property management services and facilitate the destocking of property developers' existing assets, namely "Colour Life Parking Lots (彩生活車位)". These models mainly target at parking lots that are difficult for property developers to sell, and part of the purchase price paid by buyers is returned to their Caizhiyun accounts year after year in the form of "meal coupons", which can be used to pay consumptions on the Caizhiyun platform, thereby offering cost saving to buyers in future. For the twelve months ended 31 December 2018, the accumulated sales of products of "Colour Life Parking Lots" amounted to 4,150 units, driving the revenue of sales and rental assistance up by 175.2% year-on-year to RMB146.6 million. The product of "Colour Life Parking Lots" facilitated good interactions between the Group and property developers, helping the Group to gain property service resources. On the other hand, it facilitated the accumulation of a large amount of meal coupons returned by property developers to buyers on the Caizhiyun platform. The bonding between products and services, resulted in a strong purchasing power formed by meal coupons on the platform, which attracted more quality providers and business starters to join the platform and in return drove the positive circulation in the ecosystem.

In addition, on 31 March 2018, the Group cooperated with "Colour Benefit Life" platform services providers and combined the community new retail model with the scene of paying property management fees. Purchasing goods and services required for daily life through "Colour Benefit Life", community residents can deduct the property management fees that they need to pay. Due to the accurate grasp of the demands of residents by first-line employees of the Group and the trust of the residents 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 nine months of its launch, as at 31 December 2018, the accumulated transactions were 1,824.6 thousand orders and the accumulated GMV of "Colour Benefit Life" ("彩惠人生") was RMB70.9 million. The accumulated offset to property management fees was RMB36.2 million and 260 thousand 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 the SaaS (Software-as-a-Service) platform covering the whole life cycle of lifts, and enters 215 cities nationwide. The number of lifts on e-Lift platform has exceeded 160 thousand units, including over 140 thousand lifts in communities not managed by the Group. Meanwhile, based on its transformation towards platform-based and digitalization, e-Lift cooperated with nine major insurance companies, jointly introduced insurance products on lift safety services and established the new model of "insurance + operation + services" in the lift industry.

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

Online promotion services

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

Sales and rental assistance

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

Other value-added services

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

Scope of Services for Engineering Services

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and 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").

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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the twelve months ended 31 December 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. Secondly, 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.

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.

Equipment 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.

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. By installing and using cutting-edge energy saving equipment, the Group help communities to reduce energy consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the year ended 31 December 2018, the total revenue increased by 121.9% to approximately RMB3,613.7 million from approximately RMB1,628.7 million for the year ended 31 December 2017.

The increase in revenue was primarily driven by (i) an increase in the total revenue-bearing GFA; and (ii) development of the Group's value-added services business.

	For the year ended 31 December					
	2018		2017		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	**3,064,059**	**84.8%**	1,231,285	75.6%	1,832,774	148.9%
Value-added services	**408,419**	**11.3%**	276,804	17.0%	131,615	47.5%
Engineering services	**141,180**	**3.9%**	120,609	7.4%	20,571	17.1%
Total revenue	**3,613,658**	**100.0%**	1,628,698	100.0%	1,984,960	121.9%

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management Services

For the year ended 31 December 2018, revenue from property management services increased by 148.9% to RMB3,064.1 million from RMB1,231.3 million for the year ended 31 December 2017. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2018		2017		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services fees under commission basis	**181,556**	**5.0%**	164,761	10.1%	16,795	10.2%
Property management services fees under lump sum basis	**2,605,521**	**72.2%**	911,456	56.0%	1,694,065	185.9%
Pre-delivery services	**253,546**	**7.0%**	85,173	5.2%	168,373	197.7%
Property management consultancy services	**23,436**	**0.6%**	69,895	4.3%	(46,459)	(66.5%)
Total of property management services fees	**3,064,059**	**84.8%**	1,231,285	75.6%	1,832,774	148.9%

Such increase was primarily attributable to:

(a) Revenue from services fees charged under commission basis increased RMB16.8 million, mainly attributable to the increase of commission contracts. As at 31 December 2018, the revenue-bearing GFA under commission basis increased by approximately 21.6 million sq.m. or approximately 9.8%, to approximately 242.6 million sq.m. from approximately 221.0 million sq.m. as at the same date in 2017;

(b) With consolidation of Wanxiangmei, the revenue-bearing GFA increased significantly and revenue from services fees charged under lump sum basis increased by approximately RMB1,694.1 million. As at 31 December 2018, the revenue-bearing GFA under lump sum basis increased by approximately 54.0 million sq.m. to approximately 109.2 million sq.m. from approximately 55.2 million sq.m. as at the same date in 2017;

(c) Revenue from services fees charged for rendering pre-sale related services for the year ended 31 December 2018 increased by RMB168.4 million as compared to that charged for the year ended 31 December 2017 resulting from additional pre-sale services contracts;

(d) Revenue from services fees charged under consultancy services contracts decreased by RMB46.5 million, which is mainly due to the change of the areas with fees charged under consultancy services pursuant 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 ("Kaiyuan International") and Wanxiangmei entered into on 2 August 2016 into the areas with fees charged under lump sum basis as a result of consolidation of Wanxiangmei into the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added Services

For the year ended 31 December 2018, value-added services income increased by 47.5% to RMB408.4 million from RMB276.8 million for the year ended 31 December 2017.

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

	For the year ended 31 December					
	2018		2017		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Sales and rental assistance	**146,612**	**4.0%**	53,280	3.3%	93,332	175.2%
Online promotion services	**169,448**	**4.7%**	137,208	8.4%	32,240	23.5%
Other value-added services	**92,359**	**2.6%**	86,316	5.3%	6,043	7.0%
Total of value-added services fees	**408,419**	**11.3%**	276,804	17.0%	131,615	47.5%

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

(a) An increase of approximately RMB93.3 million in sales and rental assistance income, which is mainly due to the increase of commission for Colour Life Parking Lots.

(b) An increase in online promotion services at approximately RMB32.2 million for the year ended 31 December 2018 as driven by the rapid development of the companies who cooperated with the Group aiming at the Caizhiyun platform and the Group's growth in the total revenue-bearing GFA. As a result, the revenue from online promotion services increased by 23.5% to RMB169.4 million for the year ended 31 December 2018 from RMB137.2 million of that for the year ended 31 December 2017.

(c) Other value-added services mainly consist of (i) energy management services; (ii) purchase assistance; and (iii) other value-added services. An increase in other value-added services revenue of 7.0% to RMB92.4 million for the year ended 31 December 2018 from RMB86.3 million for the year ended 31 December 2017 was driven by introduction of several new businesses of the Group during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Engineering Services

For the year ended 31 December 2018, revenue from engineering services increased by 17.1% to RMB141.2 million from RMB120.6 million for the year ended 31 December 2017. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December					
	2018		2017		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	**61,371**	**1.7%**	15,478	1.0%	45,893	296.5%
Repair and maintenance service fees	**14,874**	**0.4%**	47,631	2.9%	(32,757)	(68.8%)
Equipment leasing income	**48,268**	**1.3%**	41,287	2.5%	6,981	16.9%
Energy-saving service fees	**16,667**	**0.5%**	16,213	1.0%	454	2.8%
Total of engineering services fees	**141,180**	**3.9%**	120,609	7.4%	20,571	17.1%

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

(a) An increase in revenue in equipment installation services of approximately 296.5% to approximately RMB61.4 million for the year ended 31 December 2018 from approximately RMB15.5 million for the year ended 31 December 2017, which is due to the reconstruction of the parking space managed by the Group through Shenzhen Kaiyuan Tongji, which focuses on engineering services, in order to further achieve a better customer experience.

(b) With the development of E-Master, the traditional property service management activities are changed into online value-added services, resulting in revenue from community maintenance and repair services for the twelve months ended 31 December 2018 decreased by 68.8% to RMB14.9 million from RMB47.6 for the twelve months ended 31 December 2017.

(c) An increase of RMB7.0 million in services fees from community equipment leasing, which was in line with the Group's community equipment upgrade program.

(d) A slight increase of RMB0.5 million in services fees from energy management platform.

Cost of Services

The Group's cost of services primarily comprised labor costs, sub-contracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2018, cost of services increased by 159.6% from approximately RMB898.0 million for the year ended 31 December 2017 to approximately RMB2,331.2 million. The increase was primarily attributable to the increase in revenue-bearing GFA under lump sum basis.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, the overall gross profit increased by 75.5% to approximately RMB1,282.5 million from approximately RMB730.7 million for the year ended 31 December 2017. The increase of gross profit was in line with the growth of revenue in all businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

The overall gross profit margin decreased by approximately 9.4 percentage points to approximately 35.5% for the year ended 31 December 2018 from that of approximately 44.9% for the year ended 31 December 2017. The decrease was attributable to the significant increase in the proportion of property management income under lump sum basis with lower gross profit margin.

(i) *Property Management Services*

For the year ended 31 December 2018, the gross profit margin of property management services decreased by 9.1% percentage points from approximately 35.2% for the year ended 31 December 2017 to approximately 26.1%, primarily due to the increase in the revenue generated from property management services under lump sum basis, which had a relatively lower gross profit margin.

(ii) *Value-added Services*

For the year ended 31 December 2018, gross profit from value-added services service increased by 72.2% to approximately RMB391.0 million from approximately RMB227.0 million for the year ended 31 December 2017. Gross profit margin increased by 13.7% percentage points from 82.0% for the year ended 31 December 2017 to 95.7% for the year ended 31 December 2018. The increase was primarily attributable to a relatively higher gross profit margin for some new businesses.

(iii) *Engineering Services*

For the year ended 31 December 2018, gross profit for engineering services increased by approximately 32.2% from approximately RMB70.5 million to approximately RMB93.2 million. For the year ended 31 December 2018, gross profit margin for engineering services increased by approximately 7.5 percentage points to approximately 66.0% from approximately 58.5% for the year ended 31 December 2017. The increase was primarily attributable to the significant increase in the services fee from reconstruction of the parking space managed by the Group for the year, of which the gross profit margin was relatively higher.

Other Gains and Losses

For the year ended 31 December 2018, the Group's other gains and losses decreased by approximately 57.7% to a gain of approximately RMB18.9 million from a gain of approximately RMB44.7 million for the year ended 31 December 2017. The decrease in gains was primarily due to (i) an exchange loss increased to approximately RMB35.4 for the year from RMB1.3 million of last year; (ii) gains on disposal of subsidiaries increased to approximately RMB59.6 million for the year from approximately RMB48.3 million of last year; and (iii) a loss on early redemption of bonds of approximately RMB3.1 million for the year.

Other Income

For the year ended 31 December 2018, other income increased by approximately 6.5% to approximately RMB56.1 million from approximately RMB52.7 million for the year ended 31 December 2017. It mainly consists of (i) interest income on bank deposits, loans receivable and money market funds of RMB45.0 million and (ii) unconditional government grants of RMB9.3 million.

Selling and Distribution Expenses

For the year ended 31 December 2018, selling and distribution expenses increased by 129.4% to approximately RMB60.1 million from approximately RMB26.2 million for the year ended 31 December 2017, mainly due to the promotion of Caizhiyun platform.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The Group continued to strictly control its administrative expenses. The administrative costs increased by RMB98.6 million from approximately RMB277.2 million for the year ended 31 December 2017 to RMB375.8 million for the year, representing an increase of 35.6%. The increase in administrative costs was mainly due to (i) the Group's business scale has expanded with the increase in total GFA under its management as a result of consolidation of Wanxiangmei, especially the increase in the total GFA under lump sum basis, and thus more management personnel are employed to take charge of the headquarters management functions and other functions of centralized control, such as financial management and human resources services; and (ii) the Group's expansion to more regions/cities has led to a corresponding increase in the administrative expenses of the local property management companies acquired by the Group.

Expenses recharged to Residential Communities under Commission Basis

For the year ended 31 December 2018, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB80.0 million, representing an increase of approximately 18.7% as compared to approximately RMB67.4 million for the year ended 31 December 2017. The slight 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., and as such the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs was approximately RMB299.1 million for the year ended 31 December 2018, which increased by approximately 231.6% as compared to that of RMB90.2 million for the year ended 31 December 2017, mainly due to (i) an increase of approximately RMB4.7 million in interest expenses on the issued corporate bonds; (ii) an increase of approximately RMB2.8 million in interest expenses on the issued assets backed securities; and (iii) an increase of approximately RMB203.0 million in interest expenses on bank and other borrowings.

Share Options

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

On 29 September 2014, 30 April 2015, 18 March 2016 and 27 November 2018, the Company granted 45,000,000, 25,000,000, 34,247,488 and 19,464,720 share options to its employees, Directors, and certain non-controlling shareholders of the Company's subsidiaries at the exercise price of HK$6.66, HK$11.00, HK$5.76 and HK$4.11 respectively. The Share-based payment expenses charged to the statement of profit or loss for the year ended 31 December 2018 was approximately RMB10.8 million.

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties increased by approximately 225.0% to approximately RMB9.1 million for the year ended 31 December 2018 from approximately RMB2.8 million for the same period in 2017. The changes in fair value of investment properties were primarily due to the increase of market value.

Income Tax Expenses

The Group's income tax expenses increased by 43.3% to approximately RMB151.9 million for the year ended 31 December 2018 from that of approximately RMB106.0 million for the year ended 31 December 2017. The increase was primarily due to an increase of current tax for EIT by 55.9% to approximately RMB192.8 million from approximately RMB123.7 million in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

As at 31 December 2018, the carrying value of property, plant and equipment of the Group slightly decreased by approximately 1.3% to approximately RMB236.8 million from approximately RMB239.9 million as at 31 December 2017.

Intangible Assets

As at 31 December 2018, the carrying value of intangible assets held by the Group amounted to RMB1,146.9 million (31 December 2017: RMB1,274.5 million). The increase of purchase cost on intangible assets was mainly attributable to an increase in the number of the property management contracts of the subsidiaries acquired by the Group, which were valued through the application of an income approach. The valuation of the intangible assets had been assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, with independent assessment reports issued.

Investment Properties

As at 31 December 2018, the investment properties held by the Group amounted to approximately RMB123.5 million (31 December 2017: RMB70.6 million). These investment properties had been assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, with independent assessment reports issued. The change in investment properties was mainly due to (i) disposals of investment properties for the year by approximately RMB16.3 million; and (ii) additions of new investment properties by approximately RMB60.3 million.

Equity instruments designated FVTOCI

As at 31 December 2018, the equity instruments designated at FVTOCI represented certain unlisted equity securities at fair value, and the main changes included: (i) the fair value of the equity investment of Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) amounted to approximately RMB75.3 million as at 31 December 2018, which was valued by an independent qualified professional valuer; (ii) the Group had recovered its investment cost of RMB60.0 million in Wuhu Gopher Asset Management Co., Ltd. in the year; (iii) the Group had also invested a total of RMB45.2 million in various entities in 2018, which were ranged from 1% to 20% of the equity interest in the investees. The above-mentioned investees are mainly engaged in community-related services. The amount of investment measured at fair value was RMB120.5 million as at 31 December 2018.

Goodwill

For the year ended 31 December 2018, the Group acquired 5 companies, which generated the goodwill of approximately RMB46.8 million; while the Group disposed 3 subsidiaries, which led to reduction of the goodwill of approximately RMB6.8 million. Based on the impairment assessment conducted by the management of the Company, there was no indication of impairment related to the goodwill, and no impairment provision was required for the year ended 31 December 2018.

Deferred Taxation

As at 31 December 2018, Group's deferred tax assets that resulted from the allowance on credit losses amounted to approximately RMB49.0 million, while, the Group's deferred income tax liabilities that resulted from the amortisation of intangible assets, fair value adjustments of equity instruments designated at FVTOCI, fair value adjustments of properties and temporary difference on contract assets and others were approximately RMB308.6 million in total.

Bank balances and cash

As at 31 December 2018, the Group's bank balances and cash increased by 44.4% to the equivalent of approximately RMB2,666.9 million from approximately RMB1,847.5 million as at 31 December 2017. The increase in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB525.9 million generated from operating activities; (ii) net cash inflows of approximately RMB122.3 million generated from investing activities; and (iii) net cash inflows of approximately RMB162.4 million generated from financing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Receivables and prepayments

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

As at 31 December 2018, total trade receivables of the Group amounted to approximately RMB629.7 million, which increased by approximately RMB80.4 million as compared to approximately RMB549.3 million as at 31 December 2017. The increase was mainly attributable to: (i) the growing revenue-bearing GFA under lump sum basis for the year; and (ii) the significant increase in revenue resulting from the rapid development of value-added services.

As at 31 December 2018, other receivables and prepayments increased from approximately RMB478.6 million as at 31 December 2017 to approximately RMB720.9 million, which was primarily attributable to: (i) the increase of approximately RMB340.0 million deposits paid to the partners and suppliers in the year; (ii) the decrease of approximately RMB156.2 in amounts paid in advance to the suppliers, which was mainly due to utilisation of prepayments during the year; and (iii) the Group disposed certain communities through disposal of subsidiaries in the year, resulting in an increase of approximately RMB32.0 million in consideration receivables from disposal of the subsidiaries.

Payments/Receipts on Behalf of Residents

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

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

Trade and Other Payables and Accruals

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

Trade payables increased from approximately RMB284.2 million as at 31 December 2017 to approximately RMB504.4 million as at 31 December 2018. This was primarily due to the growth of the Group's property management services business under lump sum basis and pre-delivery services business.

Other payables and accruals decreased from approximately RMB1,207.8 million as at 31 December 2017 to approximately RMB967.7 million as at 31 December 2018, primarily attributable to advance from customer was accounted for as contract liabilities upon the initial application of HKFRS 15 at 1 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Share Capital

As at 31 December 2018, the total number of issued shares of the Company was 1,328,638,000 (31 December 2017: 995,741,000) and the share capital was HK$132,864,000, equivalent to RMB106,800,000 (31 December 2017: HK$99,574,000, equivalent to RMB78,945,000).

Cash Position

As at 31 December 2018, the Group's total cash including pledged bank deposits increased by approximately 35.4% to approximately RMB3,012.9 million from approximately RMB2,224.7 million as at 31 December 2017. Among the total cash, approximately RMB346.0 million (31 December 2017: approximately RMB377.2 million) of bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's IPO net proceeds from offshore to onshore entities.

The financial position continued to be stable. As at 31 December 2018, the current ratio (current asset/current liabilities) of the Group was approximately 1.3 (31 December 2017: approximately 1.6).

Borrowings and Charges on the Group's Assets

As at 31 December 2018, the Group had aggregate bank and other borrowings of approximately RMB3,083.8 million (31 December 2017: approximately RMB2,069.2 million), among which, approximately RMB349.6 million (31 December 2017: RMB371.7 million) was secured by the Group's bank deposits and approximately RMB673.8 million (31 December 2017: RMB175.3 million) was secured by the Company's equities in certain subsidiaries, while the rest of approximately RMB2,060.4 million was credit loans.

Net Gearing Ratio

The net gearing ratio was 19.1% as at 31 December 2018 (31 December 2017: 12.4%). The increase was the result of the drawn down of additional RMB1,014.6 million credit loans and the issue of approximately RMB100.0 million asset-backed securities during the year. The net gearing ratio was measured by net debt (including borrowings, corporate bonds and asset backed securities issued, and deducting bank balances and cash, pledged bank deposits and financial assets at FVTPL) over the total equity.

Currency Risk

The Group was exposed to exchange fluctuation risk as a result of the financing of USD94.0 million in Hong Kong in March 2018. During the reporting period, the Group recorded a net exchange loss of approximately RMB35.4 million. The Group's business is mainly concentrated in Mainland China and does not be subject to exchange fluctuations risk in its operation.

The Group had not entered into any foreign exchange risk hedging arrangements as at 31 December 2018 and the Group's operating cash flows are not subject to exchange fluctuation risk.

Employees and Remuneration Policies

As at 31 December 2018, excluding the employees for communities under commission basis, the Group had approximately 14,161 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 to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. TANG Xuebin (唐學斌) ("Dr. Tang"), aged 51, was appointed as a director on 30 October 2012 and was re-designated as an executive director on 11 June 2014 and is also the chief executive officer of the Group. He joined the Group in 2002 and is responsible for the operation and management of the Group. He also serves as a general manager of a number of subsidiaries of the Group. Mr. Tang has over 20 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property management, from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an Executive Master of Business Administration degree ("EMBA degree") from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012.

Mr. DONG Dong (董東) ("Mr. Dong"), aged 55, was appointed as a director on 30 October 2012 and was re-designated as an executive director on 11 June 2014 and is also the chief operation officer of the Company. He joined the Group in 2004 and is responsible for the operation and management of information technology of the Group. He was the general manager of Shenzhen Kaiyuan Tongji from 2004 to 2005. In 2013, he became the vice president of the Group. He served as the dean of the research institute of the Group in 2017. Mr. Dong has around 20 years of experience in property management. Prior to joining the Group, he was the manager, deputy manager and assistant manager of engineering department of China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property management, from September 1998 to January 2002, where he was primarily responsible for the management and operation of property development projects. He was the deputy chief engineer of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理公司), a company primarily engaged in property management, from February 2002 to December 2004, where he was primarily responsible for the management and operation of property development projects. He was the electrical engineer and chief officer (科長) of quality control department and the senior engineer of Xinjiang Construction Corps No. 1 Construction and Installation Company (新疆生產建設兵團第一建築安裝公司), a company primarily engaged in construction and development operation, from November 1993 to May 1996, where he was primarily responsible for the management and operation of engineering and construction projects. Prior to November 1993, he was also a teacher of Xinjiang Shihezi University (新疆石河子農學院). Mr. Dong attended and completed a Master research teaching assistance training course in fundamental physics (基礎物理) at Sichuan University (四川大學) in July 1992. Mr. Dong obtained the certificate of National Senior Engineer in July 1996. He also possesses the qualification as a Chinese government certified supervision engineer (國家註冊監理工程師) and registered real estate agent (國家註冊房地產經紀人). Mr. Dong obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013.

Mr. Huang Wei (黃瑋) ("Mr. Huang"), aged 48, was appointed as the senior vice president of the Group on 1 January 2018 and appointed as an executive director of the Company on 20 July 2018. He joined the Group in February 2015 and was responsible for the management and operation of Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理公司) (which is principally engaged in property management) under the Group as the general manager. Mr. Huang has over 20 years of experience in property management. Prior to joining the Group, he served as an engineer and manager of China Overseas Building Development (Shenzhen) Co., Ltd. from July 1992 to November 1997. From September 1998 to January 2002, he served as a director and chief engineer of China Overseas Property Management Limited (which is principally engaged in property development) and was mainly responsible for the management and operation of property development projects. From January 2002 to February 2015, he served as a director, deputy general manager and general manager of Shenzhen Kaiyuan International Property Management Co., Ltd., and was mainly responsible for the management and operation of the company. Mr. Huang studied at the College of Civil Engineering of Tongji University in China from July 1988 to July 1992. He obtained an engineer certificate in August 1998.

DIRECTORS' PROFILE

NON-EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍) ("Mr. Pan"), aged 48, was appointed as a director on 16 March 2011 and was re-designated as a non-executive director on 11 June 2014 and is also the chairman of the Board. He joined the Fantasia Group in 1999 and is responsible for the overall operation of the Fantasia Group. He is also currently the president of Fantasia Group (China) Company Limited, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Fantasia Group's subsidiaries. Mr. Pan has over 19 years of experience in the real estate development industry in China and prior to joining the Fantasia Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問（深圳）有限公司), a company primarily engaged in property agency operation, from March 1994 to September 1999, where he was primarily responsible for marketing and valuation. Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) (currently known as Sichuan University (四川大學)) in July 1992 and holds an Executive Master of Business Administration degree from Tsinghua University. Mr. Pan is also qualified as a land valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Mr. ZHOU Hongyi (周鴻禕) ("Mr. Zhou"), aged 48, was appointed as a non-executive director of the Company on 15 May 2015. He is the chairman of Qihoo 360 Technology Co. Ltd. ("Qihoo 360"), a leading company in internet industry in China. He has been a co-founder and the chief executive officer of Qihoo 360 since August 2006. Mr. Zhou has over 10 years of managerial and operational experience in China's Internet industry. Prior to founding Qihoo 360, Mr. Zhou was a partner at IDG Ventures Capital since September 2005, a global network of venture capital funds, where he assisted small- to medium-sized software companies in sourcing funding to support their growth. Mr. Zhou was the chief executive officer of Yahoo! China from January 2004 to August 2005. In 1998, Mr. Zhou founded www.3721.com, a company engaged in Internet search and online marketing business in China, and served as its chairman and chief executive officer until www.3721.com was acquired by Yahoo! China in January 2004. He also serves as a director of a number of privately owned companies based in China. Mr. Zhou received his Bachelor's degree in computer software in 1992 and his Master's degree in system engineering in 1995 from Xi'an Jiaotong University, China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chun Hung, Anthony (譚振雄) ("Mr. Tam"), aged 68, was appointed as an independent non-executive director on 11 June 2014. He has extensive experience in finance and advisory services in Hong Kong and the PRC. Since 2013, Mr. Tam has been a tax partner of Mazars, a firm primarily engaged in accounting and management consulting. Prior to that, he was a partner of Deloitte Touche Tohmatsu, a firm primarily engaged in accounting and management consultancy, from 1989 to 2013. He is the Deputy Chairman of the Tax Faculty of the Hong Kong Institute of Certified Public Accountants and one of the two program directors of the Advanced Taxation Program of the HKICPA. Mr. Tam is the assistant director and district treasury of Rotary International District 3450. Mr. Tam obtained a Bachelor's degree in engineering and management from McMaster University in May 1976 and a Master's degree in business administration from the University of Toronto in November 1983. Mr. Tam is a fellow member of the HKICPA, a member of the Institute of Chartered Accountants of Ontario and a certified tax advisor of the Taxation Institute of Hong Kong.

DIRECTORS' PROFILE

Dr. LIAO Jianwen (廖建文) ("Dr. Liao"), aged 51, was appointed as an independent non-executive director on 11 June 2014. Dr. Liao has extensive business research and teaching experience in the United States, Hong Kong and the People's Republic of China (the "PRC"). He is well-known for his interdisciplinary research, teaching and consulting in strategy, innovation and entrepreneurship, with a work experience across North America and Asia, and early entrepreneurial experience in the biotechnology industry. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at IIT Stuart School of Business from 2006 to 2010. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctoral degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Dr. Liao had served as an independent non-executive director of Qihoo 360, which shares are traded on the New York Stock Exchange, and an independent non-executive director of China Mengniu Dairy Co., Ltd., which shares are traded on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Fantasia Holdings Group Co., Ltd. and 361 Degrees International Limited, both companies are listed on the Main Board of the Stock Exchange; an independent director of China Merchants Shekon Industrial Zone Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange; and chief strategy officer of JD Group, a company listed on NASDAQ Stock Exchange.

Mr. XU Xinmin (許新民) ("Mr. Xu"), aged 67, was appointed as an independent non-executive director on 29 September 2014. He has the title of real estate economist with over 20 years of experience in the real estate industry. Mr. Xu has participated in the setting up of the China Property Management Institute (中國物業管理協會) and all of its subsequent national member congresses since 2000. Since March 2001, he has served as the general officer of the integration division of the China Property Management Institute. Since June 2003, Mr. Xu has been the deputy secretary general of the China Property Management Institute and is primarily responsible for the organisation and implementation of the national property management model evaluation and acceptance. From 2004 to 2009, Mr. Xu was a senior adviser of the Property Management Branch of the Higher Education Academy of China (中國高等教育學會). From June 1991 to February 2001, Mr. Xu was the director of each of the Housing Management Bureau (房管處) and the Property Management Bureau (物業管理處) of Changzhou, Jiangsu Province where he was primarily responsible for the setting up of the Changzhou Property Management Institute (常州市物業管理協會). Mr. Xu obtained a Bachelor degree in Business Administration from China Forestry University (中國林業大學) in 2005.

SENIOR MANAGEMENT'S PROFILE

Mr. CHANG Rong (昌榮) ("Mr. Chang"), aged 43, is a vice president of the Group. He joined the Group in 2002 and is responsible for the operation and management of the fundamental service division of the Group. He has been a vice president of Shenzhen Colour Life since January 2015. He has about 17 years of experience in property management. Prior to joining the Group, he worked as the project director and assistant manager in China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property development from July 1998 to December 2002, where he was primarily responsible for management of property development projects. Mr. Chang graduated from Tongji University (同濟大學) with a Bachelor's degree in industrial electrical automation (工業電氣自動化) in July 1998, obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013 and attended the EMBA course at Tsinghua University (清華大學), Beijing in September 2015.

Mr. GUAN Jiandong (關建東) ("Mr. Guan"), aged 42, is a vice president of the Group. He joined the Group in 2001 and is responsible for the operation and management of the Colour Life Property project of the Group. He served on various positions within the Group, including but not limited to the general manager of Shenzhen Kaiyuan Tongji and Shenzhen Colour Life Network Service, both of which are indirect wholly owned subsidiaries of the Company. He has over 15 years of experience in engineering and property management. Prior to joining the Group, he worked as the head of management office, vice president of electrical and mechanical services department and manager of community network department in China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property management from July 1998 to December 2001, where he was primarily responsible for the management and operation of software and engineering services. Mr. Guan obtained a Bachelor's degree of heating, ventilating and air conditioning (暖通空調) from Huazhong University of Science and Technology (華中理工大學) in June 1998. He obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013. He obtained a Master's Degree in Engineering from Tongji University (同濟大學) in 2016 and an Executive Master of Business Administration degree (EMBA) from China Europe International Business School in November 2017.

Ms. Yang Lan (楊瀾) ("Ms. Yang"), aged 42, is the Chief Financial Officer of the Group. She joined the Group in 2018 and is responsible for financial management within and outside the Group. She has approximately 20 years of experience in financial management. Prior to joining the Group, she worked at TCL Multimedia Technology Holdings Limited from July 1998 to February 2018, where her last position held was the financial controller, mainly responsible for financial management. Ms. Yang graduated from Xi'an Jiaotong University in July 1998 with a Bachelor's Degree in Economics. She graduated from Peking University in December 2010 with a Master's Degree in Economics. She graduated from Peking University HSBC Business School with a Master's Degree in Business Administration in September 2015.

Mr. QIAN Kun (錢坤) ("Mr. Qian"), aged 49, is a Chief Accountant of the Group. He joined the Group in August 2006 and is responsible for overall operation and management of the Group's E-bill payment division. Mr. Qian has about 30 years of experience in financial management, budgeting and cost control. Prior to joining the Group, he worked as the chief financial officer of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) which is a wholly-owned subsidiary of Shenzhen Excellence Real Estate Group (深圳卓越置業集團) from January 2001 to July 2006, where he was primarily responsible for the financial management of the company. From October 1997 to December 2000, he worked as the head of finance department of Shenzhen Zhenghua Holding Transportation Group Company (深圳市政華控股交通集團公司) and was primarily responsible for the financial management of the company. He graduated in accounting in 1992 and became a qualified accountant in 1999. He obtained a Master's degree in accounting from Wuhan University (武漢大學) in 2008 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

SENIOR MANAGEMENT'S PROFILE

Mr. CAI Guoqi (蔡國奇) ("Mr. Cai"), aged 54, is a Secretary of the Party Branch of the Group. He joined the Group in 2008 and is responsible for the overall management of affairs at the Party Branch. Mr. Cai has over 10 years of experience in corporate management. Prior to joining the Group, he was the deputy manager and the Party Branch Secretary of Zhuzhou Pharmaceutical Processing Factory (株洲選礦藥劑廠), a company primarily engaged in manpower services, from 1999 to 2001, and the chief officer of Zhuzhou Torch Industrial Furnace Co, Ltd (株洲火炬工業爐責任有限公司), a company primarily engaged in research and development, design, manufacture and installation of energy-saving services for nonferrous metallurgy equipment, from July 2005 to August 2008. Mr. Cai graduated from Central South University (中南大學) with a Bachelor's degree in management accounting in July 1987. He obtained a mid-level qualification certificate in the specialty of industrial economist in November 1998. Mr. Cai obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

Mr. DUAN Feiqin (段斐欽) ("Mr. Duan"), aged 40, is a vice president of the Group. He joined the Group in December 2014 and is responsible for the Group's ecosystem and investor relations matters. Mr. Duan has about 10 years of experience in corporate strategic management, industry research and capital markets. Prior to joining the Group, he worked as the oversea chief industry analyst of China Merchants Securities from July 2011 to September 2014, where he was primarily responsible for Hong Kong and overseas real estate and related industries and corporate research and involved in the listing related work of a number of real estate companies in Hong Kong. From August 2010 to July 2011, he worked as the planning manager of OCT Real Estate Co., Ltd. (華僑城房地產股份有限公司) and was primarily responsible for the strategic development and business plan management of the company. From November 2006 to September 2009, he worked as the senior manager of Wuhan Wangjiadun Central Business District Construction Investment Co., Ltd. (武漢王家墩中央商務區建設股份有限公司) under Oceanwide Construction (泛海建設) and was responsible for financing plan. Prior to 2006, he worked as the deputy marketing director of Changsha Branch of Narada Real Estate Group (南都房地產集團) from March 2005 to July 2006, where he was responsible for the related project planning and sales. Mr. Duan graduated from Wuhan University (武漢大學) with a Doctoral degree in economics in July 2010. He obtained a Master's degree in urban and regional development studies and management from London School of Economics and Political Science in November 2004 and a Bachelor of engineering degree in urban planning from Hunan University (湖南大學) in July 2001. He attended the EMBA course at Guanghua School of Management of Peking University in March 2016.

Ms. DING Yang (丁楊) ("Ms. Ding"), aged 43, is an assistant president of the Group. She joined the Group in 2004. Ms. Ding is primarily responsible for branding and management of the Group. Ms. Ding has over 15 years of experience in marketing development and branding. From 2004 to 2006, she was the head of marketing department of the Group, responsible for market planning management, market development management and the nationwide expansion of the Group's management service project. Since 2007, she has been the head of the brand centre of the Group, responsible for the Group's brand creation and planning, brand maintenance, brand planning and promotion, implementing corporate culture and promoting corporate image. Ms. Ding obtained a diploma from Liaoyuan Normal School (遼源師範學校) in July 1996.

Ms. YU Haihua (于海華) ("Ms. Yu"), aged 39, is an assistant president of the Group. She joined the Group in 2011 and is responsible for overall human resources strategic planning and enforcement and served as the acting principal of the training school. She has been the director of the Group's human resources centre since 2012. Ms. Yu has over 10 years of experience in human resource management. Prior to joining the Group, Ms. Yu worked as the human resource manager of the greater China region for Quick Printing (Shenzhen) Co., Limited (快速印刷(深圳)有限公司), a company primarily engaged in financial printing, from September 2006 to February 2008. She was the assistant to the chairman of Shenzhen Daihing Automobile Group Co., Ltd. (深圳市大興汽車集團有限公司), a company primarily engaged in sales of automobiles, from February 2008 to March 2011. Ms. Yu received a Master's degree of Psychology (applied psychology) from Sun Yat-Sen University (中山大學) in June 2014 and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in August 2014.

SENIOR MANAGEMENT'S **PROFILE**

Ms. HAN Jinjin (韓金金) ("Ms. Han"), aged 42, is the chief general officer of the Group. She joined the second-tier subsidiary of the Group in May 2013 and was re-designated to the CEO office of the Group in May 2014 and is responsible for the general operation and management of the CEO office and served as an executive director of Shenzhen Caizhicai Supply Chain Management Co., Ltd (深圳市彩之採供應鏈管理有限公司). Ms. Han has over 10 years of experience in corporate management. Prior to joining the Group, she was the branch manager of Shenzhen Daihing Automobile Group (深圳大興汽車集團) from May 2002 to December 2012, where she was primarily responsible for the overall operation and management of the branch. From July 1998 to February 2002, she worked at Guangdong Sangem Group (廣東三正集團), where her last position held was the public relations manager of the group and was primarily responsible for the external publicity management of the group. Ms. Han graduated from City University of Macau (澳門城市大學) with a Master's degree in July 2004 and obtained a management course certificate from Peking University HSBC Business School in January 2013.

Mr. YAO Qi (姚琦) ("Mr. Yao"), aged 51, is an assistant president of the Group's marketing centre. He joined the Group in April 2014 and is responsible for the market development and management of the Group. Mr. Yao has 23 years of experience in real estate development, marketing planning and property management. Prior to joining the Group, he was the deputy general manager of Shenzhen Caizhijia Real Estate Planning Co., Ltd, a company primarily engaged in property banking, investment operation and marketing agency, from June 2013 to March 2014, where he was primarily responsible for real estate project marketing agency. From September 2012 to May 2013, he worked as the director of sales planning centre for Zhuhai Great Aim Group (珠海市華策集團公司), a company primarily engaged in property development and property management, where he was primarily responsible for the planning and marketing of the group's real estate projects in various regions. From September 2010 to August 2012, he was the general manager of Zhongshan Hongguan Real Estate Planning Co., Ltd (中山紅館房地產策劃有限公司), a company primarily engaged in property marketing agency, where he was primarily responsible for the agency planning and marketing of the real estate projects. From April 2004 to February 2009, he worked as general manager in Zhongshan Feixiong Real Estate Planning Co., Ltd (中山飛熊房地產策劃有限公司), where he was responsible for agency planning and marketing of real estate projects. Mr. Yao graduated from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (currently known as Changchun University of Science and Technology (長春理工大學)) with a Bachelor's degree in engineering in July 1989.

Mr. YANG JianJun (楊建軍) ("Mr. Yang"), aged 31, is a chief technology officer of the research institute of the Group. He joined the Group in April 2016 and is responsible for the promotion of information technology, the development, operation and maintenance of Caizhiyun platform, business innovation and technology-driven tasks. Mr. Yang has about 15 years of experience in the areas of internet and information technology services. Prior to joining the Group, he was a deputy general manager at Shenzhen Yiwang Shidai Technology Development Co., Ltd (深圳市壹網時代科技發展有限公司) from February 2006 to March 2012, where he was responsible for overall business development and operation of technology division. From March 2012 to May 2013, he was a deputy chief software engineer of Shenzhen Huixiang Technology Co., Ltd (深圳市惠想科技有限公司), where he was responsible for the elevator safety, monitoring the development, operation and maintenance of upper computer in respect of Internet of Things (IoT) platform. He was an information technology director of the technology department of Shenzhen City Investment Development Group Co., Ltd (深圳市城市投資發展集團有限公司) from May 2013 to November 2015, where he was responsible for the promotion and construction of overall information technology of SCT Group (深城投集團), the operation of GPS monitoring platform for vehicles, internet-based transformation of driving training business. From November 2015 to April 2016, he found Shenzhen Qing Internet Technology Co., Ltd (深圳市輕互聯科技有限公司) and served as its co-founder and technical director. Starting from the grassroots, Mr. Yang discontinued schooling and started his business during the PC internet era in early 2004. Meanwhile, he has successively participated in several professional trainings in respect of internet products, technology development, cloud computing, architects and technical team management hosted by various institutes such as Tsinghua University (清華大學), The PLA Information Engineering University (中國人民解放軍信息工程大學) etc..

SENIOR MANAGEMENT'S PROFILE

Mr. JIA Yuanwen (賈遠文) ("Mr. Jia"), aged 45, is the senior director of the operation centre of the Group. He joined the Group in March 2017 and is responsible for offline operation management of the operation centre of the Group. Mr. Jia has about 17 years of experience in the service industry. Prior to joining the Group, he was an operation supervisor of Sinotrans (HK) Express Co. Ltd. (中國外運速遞(香港)有限公司) from April 2000 to July 2003. He was an assistant head of commanding and dispatching centre (指揮調度中心) and a head of quality management department of S.F. Express Co., Ltd. (順豐速運有限公司) from August 2003 to February 2017. Mr. Jia graduated from Hubei University of Economics (湖北經濟學院) in July 1998, and graduated from Beijing Jiaotong University (北京交通大學) with a Bachelor's degree in Administration in July 2005.

Ms. YANG Laiying (楊來瑛) ("Ms. Yang"), aged 45, is the senior director of planning and integration centre of the Group. She joined the Group in May 2006 and is responsible for the operation of property division. Ms. Yang Laiying has over 16 years of work experience in property management. Prior to joining the Group, she worked as a project manager in Shenzhen Rongjiang Property Management Limited (深圳市榕江物業管理有限公司), a company primarily engaged in real estate development and property management operation from January 2002 to May 2006 , where she was primarily responsible for property management. Ms. Yang graduated from Southwest University (西南大學) and obtained tertiary education qualification in July 1995. She obtained a Bachelor's Degree in business and corporate administration in Zhongnan University of Economics and Law (中南財經政法大學) in July 2013.

REPORT OF DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76.

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 7 to 10, 23 to 31 and 17 to 22 of this Annual Report. The future development of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 7 to 10 of this Annual Report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

ESG Report

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

DIVIDENDS DISTRIBUTION

The Directors recommended the declaration of a final dividend at the rate of HK18 cents per share amounting to HK$239,154,862 payable on Friday, 28 June 2019 to all persons registered as holders of shares of the Company on Thursday, 30 May 2019, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account.

SHARE CAPITAL

As at 31 December 2018, the total number of issued shares of the Company was 1,328,638,000 (31 December 2017: 995,741,000) and the share capital was RMB106,800,000 (31 December 2017: RMB78,945,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2018, calculated under the Cayman Islands Companies Law, amounted to RMB1,594.2 million (2017: RMB423.2 million) representing share premium of RMB1,589.1 million, and share option reserve of RMB220.1 million, net of with Shares held for Share Award Scheme of RMB5.6 million, and accumulated loss of RMB209.4 million.

DIRECTORS

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

Executive Directors:
Mr. Tang Xuebin (Chief Executive Officer)
Mr. Dong Dong
Mr. Huang Wei (Appointed on 20 July 2018)

Non-executive Directors:
Mr. Pan Jun (Chairman)
Mr. Lam Kam Tong (Resigned on 20 July 2018)
Mr. Zhou Hongyi

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2018 is set out below:

	Number of individuals
Nil to HK$1,000,000	13

Details of the remuneration of each of the Directors for the year ended 31 December 2018 are set out in note 12 to the consolidated financial statements.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION

As at 31 December 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 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	71.69%
	Beneficial owner[(3)]	1,598,940	0.12%
	Family Interest[(4)]	450,000	0.03%
		954,537,199	71.84%
Mr. Dong Dong	Beneficial owner[(3)]	1,526,300	0.11%
Mr. Huang Wei	Beneficial owner[(3)]	500,000	0.04%
Mr. Pan Jun	Beneficial owner[(3)]	1,755,440	0.13%
Mr. Zhou Hongyi	Beneficial owner[(3)]	560,000	0.04%
Mr. Tam Chun Hung, Anthony	Beneficial owner[(3)]	710,000	0.05%
Dr. Liao Jianwen	Beneficial owner[(3)]	710,000	0.05%
Mr. Xu Xinmin	Beneficial owner[(3)]	710,000	0.05%

Notes:

(1) Mr. Tang Xuebin ("Mr. Tang") is interested in 43.34% shares in Colour Success Limited ("Colour Success") which wholly owns Splendid Fortune Enterprise Limited ("Splendid Fortune"). Mr. Tang 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 as at 31 December 2018.

(2) Under a concert party agreement dated 29 June 2015 entered into between Fantasia Holdings and Splendid Fortune ("Concert Party Agreement"), each of Fantasia Holdings and Splendid Fortune is taken to be interested in the shares of the Company in which each other is interested for the purpose of Part XV of the SFO. As such, Mr. Tang is also deemed to be interested in the 503,956,782 shares of the Company in which Fantasia Holdings is interested for the purpose of Part XV of the SFO.

(3) These are share options granted to the Directors of the Company under the Share Option Scheme (details of which are stated under the sub-section headed "Share Option Scheme" below).

(4) The 450,000 shares are beneficially owned by Ms. Dai Minglei, who is the spouse of Mr. Tang.

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

Name of director	Name of associated corporation	Capacity/ Nature of interest	Equity interest/ number of underlying shares	Approximate percentage of equity interest/ shareholding interest
Mr. Pan Jun	Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network")[(1)]	Beneficial owner	RMB7,000,000	70%
	Fantasy Pearl International Limited ("Fantasy Pearl")[(2)]	Interest of controlled corporation	20	20%
	Fantasia Holdings[(3)]	Beneficial owner	9,980,000	0.17%
Mr. Tang Xuebin	Shenzhen Caizhiyun Network[(1)]	Beneficial owner	RMB3,000,000	30%
	Fantasia Holdings[(3)]	Beneficial owner	1,640,000	0.03%
Mr. Lam Kam Tong	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 ("Mr, Pan") and 30% by Mr. Tang. The financial results of Caizhiyun Network have been consolidated and accounted for as a subsidiary of the Company by virtue of various structured contracts, details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.

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

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

Save as disclosed above, as at 31 December 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.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by the Company, during or subsisted at the end of the year 2018.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, being 100,000,000 shares, which represented approximately 7.61% of the issued share capital of the Company as at the date of this annual report, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 85,729,878, representing 6.45% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non- executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

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

REPORT OF DIRECTORS

The summary below sets out the details of movement of the share options for the year ended 31 December 2018 pursuant to the Share Option Scheme:

				Number of share options						
Name	Date of grant	Exercise price HK$	Closing price of the shares on the date of grant HK$	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2018	Weighted average closing price immediately before exercise HK$	Notes
Mr. Tang Xuebin	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	103,500	–	–	–	103,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	–	500,000	–	–	500,000	–	(6)
Mr. Dong Dong	29 September 2014	6.66	6.66	455,150	–	–	–	455,150	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	123,500	–	–	–	123,500	–	(3)
	18 March 2016	5.764	5.76	100,000	–	–	–	100,000	–	(4)
	27 November 2018	4.11	4.11	–	500,000	–	–	500,000	–	(6)
Mr. Huang Wei	27 November 2018	4.11	4.11	–	500,000	–	–	500,000	–	(6)
Mr. Pan Jun	29 September 2014	6.66	6.66	547,790	–	–	–	547,790	–	(1)
				347,650	–	–	–	347,650	–	(2)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	–	500,000	–	–	500,000	–	(6)
Mr. Lam Kam Tong	29 September 2014	6.66	6.66	150,000	–	(150,000)	–	–	6.25	(1)
	30 April 2015	11.00	10.88	180,000	–	–	(180,000)	–	–	(3)
	18 March 2016	5.764	5.76	180,000	–	(120,000)	(60,000)	–	6.25	(4)
Mr. Zhou Hongyi	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	–	200,000	–	–	200,000	–	(6)
Mr. Tam Chun Hung, Anthony	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	–	200,000	–	–	200,000	–	(6)
Dr. Liao Jianwen	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	–	200,000	–	–	200,000	–	(6)
Mr. Xu Xinmin	29 September 2014	6.66	6.66	150,000	–	–	–	150,000	–	(1)
	30 April 2015	11.00	10.88	180,000	–	–	–	180,000	–	(3)
	18 March 2016	5.764	5.76	180,000	–	–	–	180,000	–	(4)
	27 November 2018	4.11	4.11	–	200,000	–	–	200,000	–	(6)
Employees of the Group,	29 September 2014	6.66	6.66	14,122,748	–	(3,609,600)	–	10,513,148	6.25	(1)
a resigned non-executive Director				18,916,809	–	(3,943,456)	–	14,973,353	6.25	(2)&(5)
and certain minority shareholders	30 April 2015	11.00	10.88	17,267,005	–	–	–	17,267,005	–	(3)
of the Company's subsidiaries	18 March 2016	5.764	5.76	24,591,238	–	(6,328,066)	(22,200)	18,240,972	6.25	(4)
	27 November 2018	4.11	4.11	–	16,664,720	–	–	16,664,720	–	(6)
Total				80,678,480	19,464,720	(14,151,122)	(262,200)	85,729,878		

REPORT OF DIRECTORS

Notes:

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

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

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

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

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

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020 and; (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

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

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

Up to 31 December 2017, total of 1,766,000 Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB9,010,000 in aggregate. During the year ended 31 December 2018, all of the 1,766,000 Company's shares acquired for the Share Award Scheme were awarded to eligible employees as reward for their performance and contribution to the Group. The fair value of the awarded shares at the date of grant of RMB5,909,000 were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB3,101,000 was debited to retained profits.

During the year ended 31 December 2018, a total of 1,597,000 Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB5,585,000. Up to 31 December 2018, the 1,597,000 Company's shares acquired for the Share Award Scheme and the aggregate consideration paid for these shares in an amount of RMB14,595,000 was deducted from shareholders' equity and the aforesaid shares acquired in 2018 have not been awarded to eligible employees or consultants of the Group.

REPORT OF DIRECTORS

On 20 December 2017, the Company announced a placing of new shares under the general mandate (the "Placing") granted by the shareholders of the Company to the Directors at the annual general meeting of the Company held on 24 May 2017. The Placing was completed on 5 January 2018 and an aggregate of 87,246,000 new shares were placed under the Placing at HK$5.00 per share. Proceeds of approximately HK$434.7 million were raised from the Placing and used as general working capital of the Company and for future business expansion.

The Company intends to use the net proceeds from the Placing in the following manner: (a) supplement the general working capital of the Group; and (b) future business expansion. The net proceeds were used as intended as to approximately 67% for future business expansion and the remaining net proceeds were used for general working capital.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

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 100% beneficial interest in Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) (深圳市幸福萬象投資合夥企業(有限合夥)) and 100% equity interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) 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, details of which were set out in the announcements of the Company dated 14 November 2017, 6 December 2017, 19 December 2017, 22 December 2017 and 5 January 2018 respectively, and the circular of the Company dated 6 February 2019. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction were more than 25% but all of them were less than 100%, the Transaction constituted a major transaction of the Company under Chapter 14 of the Listing Rules. Given Fantasia Holdings was a controlling shareholder of the Company, the Transaction also constituted a connected transaction of the Company.

The Company confirms that it has complied with all the disclosure requirements under Chapter 14 and Chapter 14A of the Listing Rules. As at 31 December 2018, save as disclosed above, the Group did not have any other material acquisition or disposal of subsidiaries, associates or assets.

SIGNIFICANT INVESTMENTS

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

REPORT OF DIRECTORS

BORROWINGS

Details of the borrowings of the Group are set out in note 34 of the consolidated financial statements.

RIGHTS TO ACQUIRE SHARES

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACT

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

CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as the Directors are aware, the following substantial shareholders (other than the Directors and the chief executive of the Company) or institutions have interests or short positions of 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

Notes:

(1) Fantasia Holdings is owned as to 57.51% 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.

Save as disclosed above, as at 31 December 2018, no other persons, other than Directors or chief executive, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2018, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

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

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2018. Details of the transactions are set out in note 50 to the consolidated financial statements and below:

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

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

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

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

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For the year ended 31 December 2018, the amounts payable to the Group for the provision of the Engineering Services amounted to RMB11.5 million (31 December 2017: RMB5.7 million), which was within the annual cap of RMB40.5 million (31 December 2017: RMB40.0 million) for the same period.

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

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

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

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

For the year ended 31 December 2018, the amounts payable to the Group for the provision of Pre-delivery Property Management Services amounted to RMB6.2 million (31 December 2017: RMB0.9 million), which was within the annual cap of RMB25.0 million (31 December 2017: RMB23.0 million) for the same period.

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

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

   For the year ended 31 December 2018, the amounts payable to the Group for the e-Platform Services amounted to RMB38.4 million, which was within the annual cap of RMB75.0 million for the same period.

4. Structured Contracts

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

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

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

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

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

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

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

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB72.2 million for the year ended 31 December 2018 and approximately RMB3.2 million as of 31 December 2018, respectively.

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

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

REPORT OF DIRECTORS

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

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

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

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

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

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

(d) the compliance department of the Company, headed by Mr. Duan Feiqin ("Mr. Duan"), 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 is currently kept by Mr. Duan.

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

REPORT OF **DIRECTORS**

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

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

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

(ii) on normal commercial terms or better; and

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

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

(i) have not been approved by the Board;

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

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

(iv) have exceeded the annual caps.

REPORT OF DIRECTORS

OTHERS

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

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

COMPLIANCE WITH THE DEED OF NON-COMPETITION

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

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

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

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

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

Pursuant to the annual declaration made by Fantasia Holdings in relation to the compliance with the Deed of Non-competition, Fantasia Holdings confirms that during the year ended 31 December 2018, (i) all the relevant terms of the Deed of Non-competition have been fully complied with in all material respects; and (ii) Fantasia Holdings has not identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the controlling shareholders of the Company and their respective associates and the Group and to protect the interests of the shareholders of the Company, in particular, the minority shareholders.

REPORT OF DIRECTORS

The independent non-executive Directors of the Company, upon their review, confirmed that effective compliance with and enforcement of terms of the above non-competition undertakings had been conducted by controlling shareholders of the Company.

Apart from the above non-competition undertakings, Fantasia Holdings has also undertaken to the Company in the Deed of Non-Competition that, during the Non-Competition Period, if Fantasia Group intends to dispose of any part or all of its business in the property management of pure commercial properties such as office buildings, retail complexes, hotels and serviced apartments ("Retained Business"), or any interest in the Retained Business to any third party, it shall first offer to the Company the right to acquire such business or interest and the Fantasia Group may only proceed with such disposal to any third party, on terms not more favorable than those offered to the Company, following the rejection of such offer by the Company. In deciding whether to exercise the right, the Directors will consider various factors including the purchase price, the benefits that it will bring to the Group as well as whether the Group has adequate management and resources to manage and operate the business operations of such business. The independent non-executive Directors of the Company shall decide whether or not to exercise the right within one-month after the Fantasia Group notifies the Company of such business opportunity in writing. During the year ended 31 December 2018, the Company has not received any notice from Fantasia Holdings to purchase any part or all of its Retained Business.

COMPLIANCE WITH LAWS AND REGULATIONS

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2018, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

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

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

REPORT OF DIRECTORS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2018.

Total emolument of RMB1,191.6 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB6.0 million for the Directors' remuneration and RMB1,185.6 million for other staff's salaries and allowance.

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2018, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provision E.1.2, details of which are set out in the "Corporate Governance Report" on pages 60 to 68 of this annual report.

DIVIDEND POLICY

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

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

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that the Company has maintained a sufficient public float throughout the year ended 31 December 2018 and up to the latest practicable date prior to the issue of this annual report.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

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

By 31 December 2018, the total listing proceeds has been utilised as intended for the purposes as follows: 1) approximately RMB429.7 million for acquisitions of regional property management companies; 2) approximately RMB137.1 million for the Group's purchasing hardware equipment used for upgrading the communities under our engineering services business segment; 3) approximately RMB71.6 million for the Group's sales and marketing activities and investment of information technology software to further develop our community leasing, sales and other services platform and 4) approximately RMB71.6 million for working capital and general corporate purposes.

PERMITTED INDEMNITY PROVISION

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

AUDITORS

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

On behalf of the Board
Tang Xuebin
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and applied the code provisions in the CG Code save and except for code provision E.1.2, details of which will be explained below.

In respect of the code provision E.1.2 of the CG Code, one Non-executive Director and the Chairmen of the Remuneration Committee were not present at the AGM of the Company held on 29 May 2018 due to other business commitment and no delegate was appointed to attend the AGM.

Save for the deviation set out above, the Board is of the view that throughout the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2018 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2018.

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

BOARD OF DIRECTORS

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

Executive Directors:
Mr. Tang Xuebin (Chief Executive Officer)
Mr. Dong Dong
Mr. Huang Wei (appointed on 20 July 2018)

Non-executive Directors:
Mr. Pan Jun (Chairman)
Mr. Lam Kam Tong (resigned on 20 July 2018)
Mr. Zhou Hongyi

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Pan Jun and Mr. Tang Xuebin respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board. The independent non-executive Directors possess the respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

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

Directors' Re-election

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

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

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

The Audit Committee held 3 meetings during the year ended 31 December 2018. During the meetings, the Audit Committee has been provided with the Group's financial statements including audited annual results for the year ended 31 December 2018 and unaudited interim results for the six months ended 30 June 2018, internal controls reports and other necessary financial information to consider, review and assess significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company and reviewed the following including:

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Remuneration Committee

The Remuneration Committee currently consists of the three Independent Non-executive Directors, namely, Dr. Liao Jianwen (chairman), Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin as well as an executive Director, Mr. Tang Xuebin.

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

The Remuneration Committee held a meeting during the year ended 31 December 2018. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. The emolument policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument Policy" in the Report of the Directors and note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee currently consists of five members, namely, one Non-executive Director, Mr. Pan Jun (chairman), three Independent Non-executive Directors, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin and one Executive Director, Mr. Tang Xuebin.

The Nomination Committee shall perform the following duties:

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The Nomination Committee held a meeting during the year ended 31 December 2018. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2018 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the Board Diversity Policy and the measurable objectives, and also reviewed the structure, size and composition of the Board.

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

The attendance records of each Director at the meetings of the Board and Board Committees and the annual general meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office		
Name of Directors	**Board**	**Audit Committee**	**2018 AGM**
Executive Directors			
Mr. Tang Xuebin	3/3	N/A	1/1
Mr. Dong Dong	3/3	N/A	1/1
Mr. Huang Wei (appointed on 20 July 2018)	1/1	N/A	0/0
Non-executive Directors			
Mr. Pan Jun	3/3	N/A	1/1
Mr. Lam Kam Tong (resigned on 20 July 2018)	2/2	N/A	1/1
Mr. Zhou Hongyi	0/3	N/A	0/1
Independent Non-executive Directors			
Mr. Tam Chun Hung, Anthony	3/3	3/3	1/1
Dr. Liao Jianwen	2/3	3/3	0/1
Mr. Xu Xinmin	3/3	3/3	1/1

The Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 69 to 75 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	**Fees Paid/ Payable** RMB'000
Audit Service	4,100
Non-audit Services	
– Interim review of financial results for the six months ended 30 June 2018	1,450
– Review on continuing connected transactions	30
– Reporting accountant of the Group on major acquisition	1,750
	7,330

INTERNAL CONTROLS

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

In respect of the year ended 31 December 2018, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2018.

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GOVERNANCE REPORT

COMPANY SECRETARY

For the year ended 31 December 2018, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the financial year ended 31 December 2018, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

Constitutional Documents

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

COMPLIANCE WITH THE DEED OF NON-COMPETITION

The compliance of the Deed of Non-competition by Fantasia Holdings is set out in the section headed "Compliance with the deed of non-competition" on page 56 of this annual report.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 224, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
We identified the impairment assessment of goodwill and intangible assets arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill and intangible assets have been allocated. As disclosed in note 5 to the consolidated financial statements, the management assessed the impairment of intangible assets by assessment of impairment indicators that the carrying amounts of intangible assets may not be recoverable and assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill has been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer ("Valuer") to assist the estimation. The valuation team of the Group works closely with the qualified external Valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. As disclosed in notes 22 and 21 to the consolidated financial statements, the carrying amounts of goodwill and intangible assets were RMB2,248,054,000 and RMB1,146,946,000 after net off the accumulated impairment losses of goodwill and intangible assets of RMB870,000 and nil, respectively, as at 31 December 2018 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2018.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Discussing with the management about the market, economic and legal environment and economic performance of each cash-generating unit to assess management's identification of impairment indicators; • Evaluating the reasonableness of the assessment of impairment indicators in relation to intangible assets; • Evaluated the competency, capabilities and objectivity of the Valuer; • Discussing with the management to understand the key estimation made by the management in the impairment assessment of goodwill including the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated; • Evaluating the reasonableness of the growth rates and expected future cash inflows/outflows, including revenue, gross profit and operating expenses estimated, with reference to the Group's historical financial performance and comparable listed companies; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies based on industry knowledge and independent research with the assistance of our internal specialists; and • Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 5 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical recovery rates, probability of default by its customers and the forward-looking information. As disclosed in note 24 to the consolidated financial statements, the carrying amount of trade receivables is RMB629,710,000 as at 31 December 2018, after net off the allowance of credit losses of RMB44,284,000, and the allowance for credit losses of RMB11,211,000 was recognised in profit or loss for the year end 31 December 2018.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model upon application of HKFRS 9 "Financial Instruments" on 1 January 2018; • Testing the integrity of information used by the management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rates, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified the recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL of payments on behalf of residents which may affect the carrying value at the end of the reporting period. As disclosed in note 5 to the consolidated financial statements, the management used provision matrix to calculate the ECL of payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical recovery rates and probability of default by the counter-parties taking into consideration forward-looking information. As disclosed in note 29 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB778,617,000 as at 31 December 2018, after net off the allowance for credit losses of RMB122,816,000, and the allowance for credit losses of RMB40,846,000 was recognised in profit or loss for the year end 31 December 2018.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding of how the management assess the ECL of payments on behalf of residents by applying the ECL model upon application of HKFRS 9 "Financial Instruments" on 1 January 2018; • Testing the integrity of information used by management to develop the provision matrix, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities and expected future cash flows of the management offices of residential communities; • Checking to the notices of termination of the management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rates, probability of default by its counter-parties and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue			
Services		**3,565,390**	1,542,290
Rental		**48,268**	86,408
Total revenue	6	**3,613,658**	1,628,698
Cost of services		**(2,331,178)**	(898,020)
Gross profit		**1,282,480**	730,678
Other gains and losses	8	**18,929**	44,668
Other income	8	**56,149**	52,715
Impairment losses, net of reversal	10	**(52,424)**	(49,771)
Selling and distribution expenses		**(60,068)**	(26,167)
Administrative expenses		**(375,790)**	(277,215)
Expenses recharged to residential communities under commission basis		**80,002**	67,409
Finance costs	9	**(299,072)**	(90,236)
Change in fair value of investment properties		**9,059**	2,840
Share of results of associates		**158**	(279)
Share of results of joint ventures		**10,512**	1,988
Profit before tax		**669,935**	456,630
Income tax expense	11	**(151,908)**	(105,981)
Profit for the year	13	**518,027**	350,649
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")		**288**	–
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**(72)**	–
		216	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**–**	1,897
Deferred taxation effect on change in fair value of available-for-sale investments		**–**	(474)
		–	1,423
Other comprehensive income for the year, net of income tax		**216**	1,423
Total comprehensive income for the year		**518,243**	352,072

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Profit for the year attributable to:			
– Owners of the Company		**485,021**	320,657
– Non-controlling interests		**33,006**	29,992
		518,027	350,649
Total comprehensive income for the year attributable to:			
– Owners of the Company		**485,237**	322,080
– Non-controlling interests		**33,006**	29,992
		518,243	352,072
Earnings per share – basic (RMB cents)	15	**37.90**	32.19
Earnings per share – diluted (RMB cents)	15	**37.89**	32.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (restated)
Non-current Assets			
Property, plant and equipment	16	**236,808**	239,873
Investment properties	17	**123,544**	70,554
Interests in associates	18	**41,887**	23,692
Interests in joint ventures	19	**100,754**	45,645
Equity instruments designated at FVTOCI	20	**120,455**	–
Available-for-sale investments	20	**–**	148,457
Intangible assets	21	**1,146,946**	1,274,453
Goodwill	22	**2,248,054**	2,208,089
Contract assets	23	**21,804**	–
Trade receivables	24	**–**	10,983
Other receivables and prepayments	24	**6,286**	6,989
Loan receivables	25	**35,868**	44,794
Deferred tax assets	26	**48,985**	37,342
Amount due from a director	50(b)	**–**	323
Amount due from a joint venture	50(b)	**81,505**	–
Deposits paid for potential acquisition of subsidiaries	27	**69,834**	52,793
		4,282,730	4,163,987
Current Assets			
Inventories		**4,631**	7,331
Contract assets	23	**57,761**	–
Amounts due from customers for contract works	28	**–**	43,693
Trade receivables	24	**629,710**	538,312
Other receivables and prepayments	24	**714,564**	471,590
Loan receivables	25	**211,343**	39,550
Payments on behalf of residents	29	**778,617**	522,495
Amounts due from fellow subsidiaries	50(b)	**172,299**	447,001
Amounts due from non-controlling shareholders of the subsidiaries	50(b)	**119,230**	113,153
Amounts due from related parties	50(b)	**16,072**	15,477
Amounts due from associates	50(b)	**15,905**	27,567
Amounts due from joint ventures	50(b)	**24,447**	5,292
Amount due from a director	50(b)	**–**	60
Financial assets at fair value through profit or loss ("FVTPL")	30	**26,062**	191,898
Pledged bank deposits	31	**346,000**	377,175
Bank balances and cash	31	**2,666,922**	1,847,528
		5,783,563	4,648,122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (restated)
Current Liabilities			
Contract liabilities	33	**238,692**	–
Amounts due to customers for contract works	28	**–**	13,778
Trade payables	32	**504,403**	284,159
Other payables and accruals	32	**967,730**	1,207,825
Receipts on behalf of residents	29	**406,676**	382,355
Amounts due to fellow subsidiaries	50(b)	**458,306**	12,740
Amounts due to non-controlling shareholders of the subsidiaries	50(b)	**38,561**	16,472
Amounts due to associates	50(b)	**19,971**	13,513
Amounts due to joint ventures	50(b)	**367**	7,153
Amount due to related parties		**11,769**	–
Tax liabilities		**194,140**	179,000
Borrowings due within one year	34	**1,362,868**	674,030
Corporate bonds due within one year	35	**181,497**	16,300
Asset-backed securities issued due within one year	36	**208,636**	42,533
		4,593,616	2,849,858
Net Current Assets		**1,189,947**	1,798,264
Total Assets Less Current Liabilities		**5,472,677**	5,962,251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (restated)
Non-current Liabilities			
Deferred tax liabilities	26	**308,581**	338,125
Amount due to a fellow subsidiary	50(b)	**1,282**	2,271
Borrowings due after one year	34	**1,720,888**	1,395,170
Corporate bonds due after one year	35	**134,004**	536,302
Asset-backed securities issued due after one year	36	**51,783**	185,204
Total Non-current Liabilities		**2,216,538**	2,457,072
Net Assets		**3,256,139**	3,505,179
Capital and Reserves			
Share capital	37	**106,800**	78,945
Reserves		**3,028,668**	3,320,026
Equity attributable to owners of the Company		**3,135,468**	3,398,971
Non-controlling interests		**120,671**	106,208
Total Equity		**3,256,139**	3,505,179

The consolidated financial statements on pages 76 to 224 were approved and authorised for issue by the Board of Directors on 27 March 2019 and signed on its behalf by:

Tang Xuebin
DIRECTOR

Dong Dong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 38)	Shares held for share award scheme RMB'000 (note 39)	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	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 year	–	–	–	–	–	–	–	320,657	320,657	29,992	350,649
Change in fair value on available-for-sale investments	–	–	–	–	–	1,897	–	–	1,897	–	1,897
Deferred taxation effect on change in fair value of available-for-sale investments	–	–	–	–	–	(474)	–	–	(474)	–	(474)
Other comprehensive income for the year	–	–	–	–	–	1,423	–	–	1,423	–	1,423
Total comprehensive income for the year	–	–	–	–	–	1,423	–	320,657	322,080	29,992	352,072
Dividend paid to shareholders of the Company (note 14)	–	(86,718)	–	–	–	–	–	–	(86,718)	–	(86,718)
Dividend paid to non-controlling shareholders of subsidiaries of the Company	–	–	–	–	–	–	–	–	–	(8,869)	(8,869)
Acquisitions of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	16,631	16,631
Disposal of subsidiaries (note 43)	–	–	–	–	–	–	–	–	–	(5,096)	(5,096)
Recognition of equity-settled share-based payment (note 38)	–	–	–	45,303	–	–	–	–	45,303	–	45,303
Cancelled upon repurchase of shares (note 37)	(380)	(18,407)	–	–	–	–	–	–	(18,787)	–	(18,787)
Transfer	–	–	15,150	–	–	–	–	(15,150)	–	–	–
At 31 December 2017	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 2)	–	–	–	–	–	–	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 3)	–	–	–	–	–	–	–	(7,607)	(7,607)	(263)	(7,870)
At 1 January 2018 (adjusted)	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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

For the year ended 31 December 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 38)	Shares held for share award scheme RMB'000 (note 39)	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
Profit for the year	–	–	–	–	–	–	–	485,021	485,021	33,006	518,027
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	288	–	–	288	–	288
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(72)	–	–	(72)	–	(72)
Other comprehensive income for the year	–	–	–	–	–	216	–	–	216	–	216
Total comprehensive income for the year	–	–	–	–	–	216	–	485,021	485,237	33,006	518,243
Dividend paid to shareholders of the Company (note 14)	–	(166,237)	–	–	–	–	–	–	(166,237)	–	(166,237)
Issue of shares and cash consideration upon combination of entities under common control (note 37)	19,575	887,650	–	–	–	–	(1,921,399)	–	(1,014,174)	–	(1,014,174)
Issue of new shares (note 37)	7,066	345,230	–	–	–	–	–	–	352,296	–	352,296
Issue of shares upon exercise of share options (note 37)	1,214	107,787	–	(33,131)	–	–	–	–	75,870	–	75,870
Shares repurchased for share award scheme (note 39)	–	–	–	–	(5,585)	–	–	–	(5,585)	–	(5,585)
Dividend paid to non-controlling shareholders of subsidiaries of the Company	–	–	–	–	–	–	–	–	–	(22,658)	(22,658)
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	207	207
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	4,171	4,171
Recognition of equity-settled share-based payment (notes 38 and 39)	–	–	–	10,788	9,010	–	–	(3,101)	16,697	–	16,697
Transfer	–	–	60,025	–	–	–	–	(60,025)	–	–	–
At 31 December 2018	106,800	1,589,125	116,405	220,115	(5,585)	18,966	(296,217)	1,385,859	3,135,468	120,671	3,256,139

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

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

(iii) Other reserve amounting to RMB243,228,000 arose from the combination of entities under common control in 2018. Details of the combination of entities under common control are set out in note 2.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	**669,935**	456,630
Adjustments for:		
Impairment losses , net of reversal	**52,424**	49,771
Depreciation of property, plant and equipment	**69,632**	38,187
Amortisation of intangible assets	**136,427**	28,702
Interest income	**(37,877)**	(34,441)
Imputed interest income	**(988)**	(401)
Gain on disposal of subsidiaries	**(59,559)**	(48,285)
Change in fair value of financial assets at FVTPL	**(7,700)**	(5,896)
Finance costs	**299,072**	90,236
Share-based payment expenses	**16,697**	45,303
Share of results of joint ventures	**(10,512)**	(1,988)
Share of results of associates	**(158)**	279
(Gain) loss on disposal of property, plant and equipment	**(87)**	3,095
Loss on redemption/modification of corporate bonds	**3,140**	–
Changes in fair value of investment properties	**(9,059)**	(2,840)
Net foreign exchange loss	**35,355**	–
Operating cash flows before movements in working capital	**1,156,742**	618,352
Decrease (increase) in inventories	**2,700**	(4,845)
Increase in trade receivables	**(140,737)**	(140,183)
Increase in other receivables and prepayments	**(203,420)**	(135,280)
Changes in payments/receipts on behalf of residents	**(268,360)**	(169,425)
Increase in contract assets	**(15,712)**	–
Decrease in contract liabilities	**(247,616)**	–
Changes in amounts due from/to customers for contract works	**–**	(5,643)
Increase in trade payables	**655,512**	139,992
(Decrease) increase in other payables and accruals	**(276,534)**	27,694
Decrease (increase) in amounts due from fellow subsidiaries	**36,855**	(26,999)
(Decrease) increase in amounts due to fellow subsidiaries	**(1,086)**	8,050
Decrease in amounts due from related parties	**4,475**	9,845
Cash generated from operations	**702,819**	321,558
Income taxes paid	**(176,898)**	(78,981)
NET CASH FROM OPERATING ACTIVITIES	**525,921**	242,577

CONSOLIDATED STATEMENT OF
CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (restated)
INVESTING ACTIVITIES			
Interest received		**37,877**	33,869
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	42	**8,344**	(75,875)
Deposit paid for acquisition of subsidiaries		**(68,788)**	(11,467)
Deposit refunded for acquisition of subsidiaries		**–**	849
Settlement of consideration payables on acquisition of subsidiaries		**(247)**	(46,390)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	43(a)	**47,539**	5,268
Disposal of partial interests in subsidiaries resulting in loss of control	43(b)	**–**	11,327
Disposal of an associate		**4,500**	–
Purchase of property, plant and equipment		**(65,583)**	(100,322)
Purchase of investment properties		**–**	(12,604)
Proceeds on disposal of investment properties		**16,340**	43,578
Proceeds of disposal of property, plant and equipment		**1,203**	8,797
Purchase of available-for-sale investments		**–**	(11,444)
Purchase of equity instruments designated at FVTOCI		**(31,710)**	–
Return of capital on deregistration of an equity instrument designated at FVTOCI		**60,000**	–
Purchase of financial assets at FVTPL		**(25,348)**	(155,325)
Redemption of financial assets at FVTPL		**198,884**	52,598
Capital injection to associates and joint ventures		**(71,985)**	(15,330)
Increase in pledged bank deposits		**(144,625)**	(25,000)
Decrease in pledged bank deposits		**175,800**	140,500
Dividend received from joint ventures		**2,403**	–
Dividend received from an associate		**2,448**	–
Advances of loan receivables		**(189,327)**	(61,594)
Repayment of loan receivables		**26,460**	204,500
Advances to fellow subsidiaries		**(432,247)**	(55,211)
Repayment from fellow subsidiaries		**670,094**	600
Advances to associates		**(4,933)**	(26,133)
Repayment from associates		**16,595**	–
Advances to related parties		**(14,322)**	(9,154)
Repayment from related parties		**9,252**	–
Advances to joint ventures		**(100,660)**	(5,292)
Advances to non-controlling shareholders of the subsidiaries		**(14,961)**	(15,164)
Repayment from non-controlling shareholders of the subsidiaries		**8,884**	23,553
Repayment from a director		**383**	34
Repayment from staffs		**–**	836
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**122,270**	(99,996)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000 (restated)
FINANCING ACTIVITIES			
Interest paid		**(292,970)**	(78,549)
Net proceeds from issuance of asset-backed securities		**98,236**	–
Repayment of principal of asset-backed securities		**(71,250)**	(51,250)
New borrowings raised		**2,040,032**	329,819
Repayments of bank borrowings		**(1,069,603)**	(265,513)
Net proceeds from the issuance of corporate bonds		**–**	144,504
Repayments of corporate bonds		**(240,000)**	–
Capital contribution from a non-controlling shareholders of certain subsidiaries		**4,171**	–
Advances from fellow subsidiaries		**27,318**	–
Repayment to fellow subsidiaries		**(989)**	(4,398)
Advances from joint ventures		**–**	6,455
Repayment to joint ventures		**(6,786)**	–
Advances from associates		**6,470**	5,935
Repayment to associates		**(12)**	–
Advances from non-controlling shareholders of the subsidiaries		**23,342**	11,124
Repayment to non-controlling shareholders of the subsidiaries		**(5,496)**	(24,491)
Advance from related parties		**11,769**	–
Proceeds from issue of new shares		**352,296**	–
Proceeds from issue of shares upon exercise of share options		**75,870**	–
Dividend paid to non-controlling shareholders of the subsidiaries		**(22,658)**	(8,869)
Dividend paid to shareholders of the Company		**(166,237)**	(86,718)
Purchase of shares		**(5,585)**	(18,787)
Acquisition of subsidiaries under common control	2	**(595,487)**	990,848
NET CASH FROM FINANCING ACTIVITIES		**162,431**	950,110
NET INCREASE IN CASH AND CASH EQUIVALENTS		**810,622**	1,092,691
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,847,528**	754,837
Effect of foreign exchange rate changes		**8,772**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**2,666,922**	1,847,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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 100% beneficial interest in Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) (深圳市幸福萬象投資合夥企業(有限合夥)) ("Shenzhen Wanxiang") and 100% equity interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) ("Wanxiangmei") (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 31 December 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 the financial and operating decisions must be approved by 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 directly held by Fantasia Holdings and accounted for as an available-for-sale investment of Fantasia Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. BASIS OF PREPARATION *(Continued)*

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

On 29 December 2017, Fantasia Group acquired 100% equity interests in Shenzhen Jiaxin Consulting Services Co., Ltd., (深圳市嘉信諮詢服務有限公司), 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 partnership 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 was 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.

Under merger accounting, based on the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 the perspective of Fantasia Holdings other than the Group. No amount is recognised in respect of the 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 of RMB243,228,000 between the carrying amount of net assets of the Target Group transferred to the Group amounting to RMB1,678,171,000 from Fantasia Group's perspective and the total consideration amounting to RMB1,921,399,000 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 year 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 significant impact on the Group's financial performance and cash flows for prior year. 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. 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)	Business combination of entities under common control RMB'000 (note a)	31 December 2017 RMB'000 (restated) (note b)
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
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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. BASIS OF PREPARATION *(Continued)*

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

	31 December 2017 RMB'000 (audited)	Business combination of entities under common control RMB'000 (note a)	31 December 2017 RMB'000 (restated) (note b)
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
Asset-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
Asset-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

2. BASIS OF PREPARATION *(Continued)*

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

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

Notes:

(a) The amounts are extracted from the consolidated financial statements of the Target Group as at 31 December 2017 which were consolidated in the consolidated financial statements of Fantasia Holdings for the year ended 31 December 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the HKICPA for the first time in the current year.

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) 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.

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 4 respectively.

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 does not have a material impact on the retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	31 December 2017 (restated under merger accounting) RMB'000	Reclassifications RMB'000	1 January 2018 (adjusted) 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, trade receivables of RMB21,548,000, comprising retention receivables of RMB679,000 and unbilled revenue of RMB20,869,000, which are to be released upon expiration of the warranty period of the equipment installation services, were reclassified to contract assets.

(b) In relation to equipment installation services 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 regarding property management services 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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 consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Contract assets	21,804	(21,804)	–
Trade receivables	–	21,804	21,804
Current Assets			
Contract assets	57,761	(57,761)	–
Amounts due from customers for contract works	–	34,354	34,354
Trade receivables	629,710	23,407	653,117
Current Liabilities			
Contract liabilities	238,692	(238,692)	–
Amounts due to customers for contract works	–	20,106	20,106
Other payables and accruals	967,730	218,586	1,186,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

Impact on the consolidated statement of cash flows

	As reported	Reclassification	Amounts without application of HKFRS 15
	RMB'000	RMB'000	RMB'000
Operating activities			
Increase in trade receivables	(140,737)	(25,051)	(165,788)
Changes amounts due from/to customers for contract works	–	15,667	15,667
Increase in contract assets	(15,712)	15,712	–
Decrease in other payables and accruals	(276,534)	(253,944)	(530,478)
Decrease in contract liabilities	(247,616)	247,616	–

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11 and HKAS 18 are set out in notes (a) to (d) above for describing the adjustments made to the consolidated statement of financial position at 1 January 2018 upon the adoption of HKFRS 15.

The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised during the year ended 31 December 2018 and have no material impact on the amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

3.2 HKFRS 9 "Financial Instruments"

In the current year, 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 under ECL model) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

3.2 HKFRS 9 "Financial Instruments" (Continued)

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement 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	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 RMB'000 (note b)	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										
– restated under merger accounting		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**

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

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

3.2 HKFRS 9 "Financial Instruments" (Continued)

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

Notes:

(a) Available-for-sale investments

The Group elected to present in other comprehensive income 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 unlisted 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 included in revaluation reserve continued to accumulate in FVTOCI reserve.

(b) Financial assets at FVTPL

Financial assets at FVTPL are securities held for trading and derivatives which are required to be classified as financial assets at 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, contract assets and payments on behalf of residents. To measure the ECL, trade receivables (including lease receivables), contract assets and payments on behalf of residents 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 and other receivables, are measured on 12-month ECL ("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 loss allowance account of respective assets.

3.3 Impacts on opening 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 consolidated statement of financial position had to be adjusted. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

	31 December 2017 (restated under merger accounting)	HKFRS 15	HKFRS 9	1 January 2018 (adjusted)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Equity instruments designated at FVTOCI	–	–	148,457	148,457
Available-for-sale investments	148,457	–	(148,457)	–
Contract assets	–	10,983	–	10,983
Trade receivables	10,983	(10,983)	–	–
Deferred tax assets	37,342	–	2,623	39,965
Current Assets				
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
Payments on behalf of residents	522,495	–	(6,927)	515,568
Current Liabilities				
Contract liabilities	–	473,928	–	473,928
Amounts due to customers for contract works	13,778	(13,778)	–	–
Other payables and accruals	1,207,825	(460,150)	–	747,675
Net Current Assets	1,798,264	–	(10,493)	1,787,771
Total Assets Less Current Liabilities	5,962,251	–	(7,870)	5,954,381
Net Assets	3,505,179	–	(7,870)	3,497,309
Capital and Reserves				
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

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

HKFRS 16 "Leases" (Continued)

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB23,224,000 as disclosed in note 46. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Merger accounting for business combination involving business under common control

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

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

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an assets individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

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

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

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

Investment in a structured entity

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

Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases of equipment and sub-leasing is recognised in revenue in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income from operating leases of investment properties is recognised in other income in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates 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.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) *(Continued)*

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those 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 service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified 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 services to be provided by the other party.

Warranties

The Group accounts for the warranty in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets", as the Group provide assurance that the product complies with agreed-upon specifications and the customer does not have the option to purchase a warranty separately.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowance and sale-related tax in the PRC.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Property management services, value-added services and engineering services (other than equipment installation services)

Revenue from property management services, value-added services and engineering services (other than equipment installation services) is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

Equipment installation services

Where the outcome of the installation contract revenue can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Foreign currencies

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

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

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, lease receivables, payments on behalf of residents, loan receivable, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director, pledged bank deposits and bank balances) 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, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

(i) Significant increase in credit risk

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

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;

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

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

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

(ii) Definition of default

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (a) held for trading, (b) it is at FVTPL or (c) contingent consideration that may be paid by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain and losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investment or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, loan receivables, payments on behalf of residents, amounts due from a director, fellow subsidiaries, non-controlling shareholders of the subsidiaries of the Company, joint ventures, associates and related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets *(Continued)*

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

On derecognition of an AFS financial asset, the accumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Corporate bonds and asset-backed securities issued

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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

Share-based payments

Equity-settled share-based payment transactions

Share options scheme

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the groups of cash-generating units to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates, discount rates and expected future cash inflows/outflows including revenue, gross profit and operating expenses estimated. The cash flows beyond the five-year period are extrapolated using zero growth rate. The details are set out in note 22. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash flows due to unfavourableness, a material impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB2,248,054,000 (2017 restated: RMB2,208,089,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2018, the carrying amount of intangible assets net of accumulated impairment loss was RMB1,146,946,000 (2017 restated: carrying amount of RMB1,274,453,000).

Provision of ECL for trade receivables (including lease receivables)

Before application of HKFRS 9 on 1 January 2018, when there is an objective evidence of impairment loss, the Group takes into consideration the ages of trade receivables and the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Upon application of HKFRS 9 on 1 January 2018, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns. The provision matrix is based on the Group's historical recovery rates and probability of default by its customers taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Provision of ECL for trade receivables (including lease receivables) *(Continued)*

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

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

Before application of HKFRS 9 on 1 January 2018, to determine whether there is any objective evidence of impairment loss, the Group takes into consideration a number of indicators, including, among others, whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities, including profitability trend, cash receipts from residents and cash payments to settle management offices' account payables, and future cash flows of the property management offices. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Upon application of HKFRS 9 on 1 January 2018, the Group uses provision matrix to calculate ECL for the payments on behalf of residents and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical recovery rates and probability of default by the counter-parties taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's payments on behalf of residents and contract assets are disclosed in note 29 and 23, respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining period. The carrying amount of property, plant and equipment was RMB236,808,000 (2017 restated: RMB239,873,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in the future. The carrying amount of investment properties was RMB123,544,000 (2017: RMB70,554,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. REVENUE FROM SERVICES

A. For the year ended 31 December 2018

(a) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018			
	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	2,605,521	–	–	2,605,521
Pre-delivery services	253,546	–	–	253,546
Commission basis	181,556	–	–	181,556
Consultancy services fee	23,436	–	–	23,436
	3,064,059	–	–	3,064,059
Value-added services				
Online promotion services	–	169,448	–	169,448
Sales and rental assistance	–	146,612	–	146,612
Other value-added services	–	92,359	–	92,359
	–	408,419	–	408,419
Engineering services				
Equipment installation services	–	–	61,371	61,371
Repair and maintenance services	–	–	14,874	14,874
Energy-saving service fees	–	–	16,667	16,667
	–	–	92,912	92,912
	3,064,059	408,419	92,912	3,565,390
Timing of revenue recognition				
A point in time	–	146,612	–	146,612
Over time	3,064,059	261,807	92,912	3,418,778
	3,064,059	408,419	92,912	3,565,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. REVENUE FROM SERVICES *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

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

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

	For the year ended 31 December 2018			
	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Revenue disclosed in segment information				
External customers	3,064,059	408,419	141,180	3,613,658
Inter-group	–	153,516	13,088	166,604
	3,064,059	561,935	154,268	3,780,262
Elimination	–	(153,516)	(13,088)	(166,604)
Adjustments for leasing income of equipment	–	–	(48,268)	(48,268)
Revenue from contracts with customers	3,064,059	408,419	92,912	3,565,390

(b) *Performance obligations for contracts with customers*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. REVENUE FROM SERVICES *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

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

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

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

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

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

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

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

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

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

B. For the year ended 31 December 2017

Revenue from major services for the year ended 31 December 2017 is set out in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION

In prior year, information reported to the chief operating decision maker (the "CODM") is categorised into different types of services including provision of "property management services", "value-added services" and "engineering services", each of which is considered as a separate operating segment by the CODM. During the current year, upon the completion of acquisition of Target Group which further increases the coverage of property management services of the Group in different cities in the PRC, the Group reorganised its internal reporting structure which resulted in changes to composition of its reportable segments. During the current year, information reported to the CODM, for the purposes of resource allocation and assessment of segment performance, focuses on the geographical locations of the property management companies, comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China, each of which is considered as a separate operating segment by the CODM. Prior year segment disclosures have been represented to conform with the current period's presentation. For segment reporting, certain operating segments have been categorised and aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

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

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

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

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of changes in fair value of investment properties, and financial assets at FVTPL, share of results of associates and joint ventures, interest income, finance costs, share-based payment expenses, gain on disposal of subsidiaries, loss on redemption/modification of corporate bonds, exchange loss and other unallocated expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2018						
Segment revenue	943,615	877,545	985,861	492,405	314,232	3,613,658
Segment profit	233,259	242,093	264,143	92,103	87,361	918,959
Changes in fair value of investment properties						9,059
Changes in fair value of financial assets at FVTPL						7,700
Gain on disposal of subsidiaries						59,559
Share of results of associates						158
Share of results of joint ventures						10,512
Finance costs						(299,072)
Interest income						37,877
Share-based payment expenses						(16,697)
Loss on redemption/modification of corporate bonds						(3,140)
Exchange loss						(35,355)
Other unallocated expenses						(19,625)
Profit before tax						669,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2017 (restated)						
Segment revenue	437,361	404,527	573,271	87,437	126,102	1,628,698
Segment profit	158,541	106,313	166,476	28,024	48,987	508,341
Changes in fair value of investment properties						2,840
Changes in fair value of financial assets at FVTPL						5,896
Gain on disposal of subsidiaries						48,285
Share of results of associates						(279)
Share of results of joint ventures						1,988
Finance costs						(90,236)
Interest income						34,441
Share-based payment expenses						(45,303)
Exchange loss						(1,309)
Other unallocated expenses						(8,034)
Profit before tax						456,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION *(Continued)*

Other segment information

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2018						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	**43,777**	**23,080**	**34,812**	**24,301**	**10,457**	**136,427**
Depreciation of property, plant and equipment	**20,107**	**17,676**	**18,672**	**7,198**	**5,979**	**69,632**
Impairment loss recognised on payments on behalf of residents	**18,296**	**10,327**	**6,048**	**1,778**	**4,397**	**40,846**
Impairment loss recognised on trade receivables and contract assets	**3,031**	**2,849**	**3,108**	**1,575**	**1,015**	**11,578**
Gain on disposal of property, plant and equipment	**87**	**–**	**–**	**–**	**–**	**87**
As at 31 December 2017 (restated)						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	8,296	2,411	13,422	799	3,774	28,702
Depreciation of property, plant and equipment	14,270	11,761	6,638	1,854	3,664	38,187
Impairment loss recognised on payments on behalf of residents	7,899	11,028	4,132	4,754	4,150	31,963
Impairment loss recognised on trade receivables	4,909	4,512	6,045	946	1,396	17,808
Loss on disposal of property, plant and equipment	–	683	–	2,404	8	3,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Revenue and results from major services

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

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2018					
External revenue	**3,064,059**	**408,419**	**141,180**	**–**	**3,613,658**
Elimination	**–**	**153,516**	**13,088**	**(166,604)**	**–**
Revenue from major services	**3,064,059**	**561,935**	**154,268**	**(166,604)**	**3,613,658**
Profit from major services	**529,036**	**309,229**	**80,694**	**–**	**918,959**
Year ended 31 December 2017					
External revenue	1,231,285	276,804	120,609	–	1,628,698
Elimination	–	26,191	12,938	(39,129)	–
Revenue from major services	1,231,285	302,995	133,547	(39,129)	1,628,698
Profit from major services	239,344	217,854	51,143	–	508,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. SEGMENT INFORMATION *(Continued)*

Revenue and results from major services *(Continued)*

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

	2018 **RMB'000**	2017 RMB'000
Property management services		
Lump sum basis	**2,605,521**	911,456
Commission basis	**181,556**	164,761
Pre-delivery services	**253,546**	85,173
Consultancy services	**23,436**	69,895
	3,064,059	1,231,285
Value-added services		
Online promotion services	**169,448**	137,208
Sales and rental assistance*	**146,612**	53,280
Other value-added services	**92,359**	86,316
	408,419	276,804
Engineering services		
Equipment installation service fees	**61,371**	15,478
Repair and maintenance services	**14,874**	47,631
Energy-saving services	**16,667**	16,213
Equipment leasing income	**48,268**	41,287
	141,180	120,609
	3,613,658	1,628,698

* During the year ended 31 December 2018, the amount included sub-leasing income of nil (2017: RMB45,121,000) of office premises and commercial properties.

Information about major customers

During the years ended 31 December 2018 and 2017, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. OTHER GAINS AND LOSSES AND OTHER INCOME

	2018 RMB'000	2017 RMB'000
Other gains and losses		
Gain on disposal of subsidiaries (note 43(a) and (b))	**59,559**	48,285
Gain (loss) on disposal of property, plant and equipment	**87**	(3,095)
Loss on redemption/modification of corporate bonds	**(3,140)**	–
Exchange loss	**(35,355)**	(1,309)
Others	**(2,222)**	787
	18,929	44,668
Other income		
Interest income from		
– loan receivables	**27,789**	28,715
– banks	**9,497**	5,154
– non-current advance to staffs	**580**	558
– a director	**11**	14
Unconditional government grants	**9,279**	11,336
Interest income on financial assets at FVTPL	**7,700**	5,896
Rental income from investment properties	**289**	612
Imputed interest income	**988**	401
Others	**16**	29
	56,149	52,715

9. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interests on:		
– borrowings	**(238,383)**	(35,420)
– corporate bonds (note 35)	**(37,959)**	(33,213)
– asset-backed securities issued (note 36)	**(22,083)**	(19,332)
– amount due to a fellow subsidiary (note 50(a))	**(647)**	(2,271)
	(299,072)	(90,236)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000
Impairment loss recognised on		
– trade receivables	**(11,211)**	(17,808)
– contract assets	**(367)**	–
– payments on behalf of residents	**(40,846)**	(31,963)
	(52,424)	(49,771)

Details of impairment assessment recognised on trade receivables, contract assets and payments on behalf of residents for the year ended 31 December 2018 are set out in note 41.

11. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Current year	**(192,774)**	(123,331)
Under provision in respect of prior years	**–**	(297)
	(192,774)	(123,628)
Singapore EIT	**–**	(96)
	(192,774)	(123,724)
Deferred tax (note 26)		
Current year	**40,866**	17,743
	(151,908)	(105,981)

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

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

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB2,024,206,000 (2017: RMB1,325,156,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. INCOME TAX EXPENSE *(Continued)*

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**669,935**	456,630
Tax at the PRC EIT rate of 25% (2017: 25%)	**167,484**	114,158
Tax effect of expenses not deductible for tax purpose (note a)	**38,590**	16,469
Tax effect of non-taxable income	**(11,282)**	(12,975)
Tax effect of tax losses not recognised	**25,669**	4,556
Under provision in respect of prior years	**–**	297
Utilisation of tax loss previously not recognised	**(23,392)**	(261)
Tax effect of deductible temporary difference not recognised	**1,508**	2,368
Tax effect of share of results of associates	**(40)**	70
Tax effect of share of results of joint ventures	**(2,628)**	(497)
Tax effect of different tax rates of certain subsidiaries (note b)	**(44,653)**	(18,403)
Others	**652**	199
Income tax expense	**151,908**	105,981

Notes:

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

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15%, (ii) a PRC company, which is registered in Shenzhen, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, under the condition of annual registration as energy conservation and environmental protection enterprise at local tax bureau and (iii) certain PRC companies, which are registered in Chengdu, Chongqing and Xi'an and engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% for both the years ended 31 December 2018 and 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

	2018 RMB'000	2017 RMB'000
Directors' fee	–	–
Other emoluments		
– salaries and other benefits	5,085	2,835
– retirement benefits scheme contributions	15	10
– share-based payment expenses	897	2,203
	5,997	5,048

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

	Fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note a)	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive directors						
Mr. Tang Xuebin	–	362	374	5	220	961
Mr. Dong Dong	–	274	385	5	233	897
Non-executive directors						
Mr. Pan Jun	240	–	–	–	332	572
Mr. Lam Kam Tong	240	–	–	–	290	530
Mr. Zhou Hongyi	240	–	–	–	258	498
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	290	530
Mr. Liao Jianwen	240	–	–	–	290	530
Mr. Xu Xinmin	240	–	–	–	290	530
	1,440	636	759	10	2,203	5,048

Notes:

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

(b) Mr. Huang Wei was appointed on 20 July 2018.

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

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

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

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

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

Mr. Tang Xuebin is the chief executive of the Company, and his emoluments disclosed above include those for services rendered by him as chief executive.

The five highest paid individuals of the Group included 3 (2017: 1) directors for the year ended 31 December 2018. The remunerations of the remaining 2 (2017: 4) individuals for the year ended 31 December 2018, which were individually within HKD1,000,000 (2017: ranging from HKD1,000,000 to HKD1,500,000) are set out below:

	2018	2017
	RMB'000	RMB'000
Employees		
– salaries and other benefits	**1,355**	2,784
– retirement benefits scheme contributions	**8**	17
– share-based payment expenses	**268**	1,256
	1,631	4,057

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,997**	5,048
Other staffs' salaries and other benefits	**1,036,343**	559,976
Retirement benefits scheme contributions	**133,434**	49,312
Share-based payment expenses	**15,800**	43,100
Total staff costs	**1,191,574**	657,436
Auditors' remuneration	**4,100**	3,219
Amortisation of intangible assets (note)	**136,427**	28,702
Depreciation for property, plant and equipment	**69,632**	38,187
Minimum lease payments under operating leases in rented premises	**4,160**	49,433

Note: Amortisation of intangible assets were previously included in administrative expenses in prior years. Starting from the current year, the amount is recognised in "cost of services" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 to achieve a better presentation and the comparative figures have not been revised as there was no material impact to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

14. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2017 final dividend HK15 cents (2017: 2016 final dividend HK10 cents) per share	**166,237**	86,718

Subsequent to 31 December 2018, a final dividend for the year ended 31 December 2018 of HK18 cents, equivalent to RMB15.40 cents (2017: HK15 cents, equivalent to RMB12.11 cents) per share amounting to RMB204,578,000 in aggregate has been proposed by the directors for approval by the shareholders of the company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. 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:

	2018	2017
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**485,021**	320,657
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,279,781**	996,174
Effect of dilutive potential ordinary shares:		
Share options	**456**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,280,237**	996,174

For the year ended 31 December 2017, the computation of diluted earnings per share did not assume the exercise of share options granted by the Company as the exercise prices of the options were higher than the average market price per share in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2017	44,496	9,845	155,170	4,324	20,821	234,656
Additions	147	9,921	5,249	346	84,659	100,322
Acquisition of subsidiaries (note 42)	–	–	280	99	–	379
Transfer	–	–	50,257	–	(50,257)	–
Disposals	(13,990)	(2)	(1,120)	(632)	–	(15,744)
Disposal of subsidiaries (note 43)	–	(13)	(42,558)	(225)	(28,440)	(71,236)
At 31 December 2017 (originally stated)	30,653	19,751	167,278	3,912	26,783	248,377
Acquisition of subsidiaries under common control (note 2)	–	278	65,585	5,331	–	71,194
At 31 December 2017 (restated)	**30,653**	**20,029**	**232,863**	**9,243**	**26,783**	**319,571**
Additions	**–**	**5,904**	**11,546**	**1,522**	**46,611**	**65,583**
Acquisition of subsidiaries (note 42)	**–**	**–**	**2,100**	**–**	**–**	**2,100**
Transfer	**–**	**–**	**44,980**	**–**	**(44,980)**	**–**
Disposals	**–**	**–**	**(4,125)**	**(1,347)**	**–**	**(5,472)**
At 31 December 2018	**30,653**	**25,933**	**287,364**	**9,418**	**28,414**	**381,782**
ACCUMULATED DEPRECIATION						
At 1 January 2017	1,366	4,073	46,054	2,406	–	53,899
Provided for the year	1,042	2,040	34,052	1,053	–	38,187
Eliminated on disposals	(2,318)	–	(988)	(546)	–	(3,852)
Eliminated on disposal of subsidiaries (note 43)	–	(5)	(8,317)	(214)	–	(8,536)
At 31 December 2017	**90**	**6,108**	**70,801**	**2,699**	**–**	**79,698**
Provided for the year	**824**	**154**	**65,709**	**2,945**	**–**	**69,632**
Eliminated on disposals	**–**	**–**	**(3,280)**	**(1,076)**	**–**	**(4,356)**
At 31 December 2018	**914**	**6,262**	**133,230**	**4,568**	**–**	**144,974**
CARRYING VALUES						
At 31 December 2018	**29,739**	**19,671**	**154,134**	**4,850**	**28,414**	**236,808**
At 31 December 2017 (restated)	30,563	13,921	162,062	6,544	26,783	239,873

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than the construction in progress are depreciated on a straight-line basis over the following period:

Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Leasehold improvement	Over the shorter of the term of lease or 3 – 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 – 10 years

17. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2017	92,528
Additions	22,357
Disposals	(43,578)
Disposal of a subsidiary (note 43(a))	(3,593)
Net increase in fair value recognised in profit or loss	2,840
At 31 December 2017	70,554
Additions	60,271
Disposals	(16,340)
Net increase in fair value recognised in profit or loss	9,059
At 31 December 2018	123,544
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2018	8,305
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2017	1,996

The fair values of the Group's completed investment properties at 31 December 2018 and 2017 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted. The Group has recognised deferred taxation on fair value changes in investment properties taking into account the land appreciation tax upon disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of these investment properties as at 31 December 2018 and 2017 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2018 and 2017 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value as at 31 December 2018 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Sensitivity
Investment properties	123,544 (2017: 70,554)	Huizhou, Wuhan, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou and Kunming (2017: Huizhou, Wuhan, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Dongguan, Shanghai and Shenzhen)	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 5,500 – 47,800 (2017: 4,900 – 29,000) 2. Adjustment made to account for differences in location: 3% – 10% (2017: 3% – 10%)	A significant increase/decrease in market unit sales rate would result in significant increase/decrease in fair value.

18. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of investment, unlisted	**42,728**	22,243
Share of post-acquisition results, net of dividends received	**(841)**	1,449
	41,887	23,692

Particulars of the Group's interests in principal associates at the end of the reporting periods are as follows:

Name of entity	Place of establishment and operation	Proportion of ownership interest held by the Group at 31 December		Proportion of voting right held by the Group at 31 December		Principal activity
		2018	2017	**2018**	2017	
天津嘉創物業服務有限公司 Tianjin Jiachuang Property Management Services Co., Ltd. ("Tianjin Jiachuang") (note a)	PRC	**43%**	–	**43%**	–	Provision of property management services
蘭州城關物業服務集團有限公司 Lanzhou Chengguan Property Management Services Co., Ltd. ("Lanzhou Chengguan") (note b)	PRC	**10%**	–	**10%**	–	Provision of property management services

Notes:

(a) During the year ended 31 December 2018, the Group acquired 43% equity interest in Tianjin Jiachuang at a consideration of RMB10,182,000. Upon the completion of the acquisition, the Group has 43% voting right at the shareholders' meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, Tianjin Jiachuang has another shareholder which holds 57% equity interest in Tianjin Jiachuang. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Tianjin Jiachuang is accounted for as an associate of the Group.

(b) During the year ended 31 December 2018, the Group acquired 10% equity interest in Lanzhou Chengguan at a consideration of RMB12,240,000. Upon the completion of the acquisition, the Group has 10% voting right at the shareholders' meeting of Lanzhou Chengguan. Pursuant to the shareholder's agreement, the board of directors of Lanzhou Chengguan, the governing body which directs the relevant activities that significantly affect the returns of Lanzhou Chengguan, consists of seven directors of which the Group and other two shareholders can appoint one director and six directors, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Lanzhou Chengguan is accounted for as an associate of the Group.

(c) During the year ended 31 December 2018, the Group made total capital contribution of RMB2,563,000 to establish certain associates. The associates mainly act as investment holdings companies and invest in community-related services.

(d) During the year ended 31 December 2018, the Group has disposed of its interests in an associate at a consideration of RMB4,500,000, with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) During the year ended 31 December 2018, the Group received dividend of RMB2,448,000 from Lanzhou Chengguan and other associates.

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18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represented amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associates are accounted for using equity method in these consolidated financial statements.

Tianjin Jiachuang

	2018 RMB'000	2017 RMB'000
Non-current assets	**405**	N/A
Current assets	**40,092**	N/A
Current liabilities	**18,956**	N/A
The above amounts of assets and liabilities include the followings:		
Bank balances and cash	**34,361**	N/A
Revenue	**40,257**	N/A
Profit and other comprehensive income for the period from the date of acquisition	**2,485**	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Tianjin Jiachuang recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Tianjin Jiachuang	**21,541**	N/A
Proportion of the Group's ownership interest	**43%**	N/A
	9,263	N/A
Goodwill	**1,988**	N/A
Carrying amount of the Group's interest	**11,251**	N/A

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18. INTERESTS IN ASSOCIATES *(Continued)*

Lanzhou Chengguan

	2018 RMB'000	2017 RMB'000
Non-current assets	**95,211**	N/A
Current assets	**64,090**	N/A
Current liabilities	**68,008**	N/A
Non-current liabilities	**10,200**	N/A
The above amounts of assets and liabilities include the followings:		
Bank balances and cash	**9,366**	N/A
Borrowings due within one year	**25,750**	N/A
Borrowings due after one year	**10,200**	N/A
Revenue	**185,872**	N/A
Profit and other comprehensive income for the period from the date of acquisition	**18,354**	N/A
Dividends received during the period	**1,783**	N/A
The above profit for the period include the followings:		
Depreciation of property, plant and equipment	**2,711**	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in Lanzhou Chengguan recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Lanzhou Chengguan	**81,093**	N/A
Proportion of the Group's ownership interest	**10%**	N/A
	8,109	N/A
Goodwill	**4,183**	N/A
Carrying amount of the Group's interest	**12,292**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INTERESTS IN ASSOCIATES *(Continued)*

Lanzhou Chengguan *(Continued)*

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
The Group's share of loss and other comprehensive expense	**(2,746)**	(279)
Aggregate carrying amount of the Group's interests in these associates	**18,344**	23,692

19. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Cost of investment, unlisted	**90,057**	43,057
Share of post-acquisition results, net of dividends received	**10,697**	2,588
	100,754	45,645

Particulars of the Group's interests in principal joint ventures at the reporting dates are as follows:

Name of entity	Place of establishment and operation	Proportion of ownership interest held by the Group at 31 December		Proportion of voting right held by the Group at 31 December		Principal activity
		2018	2017	**2018**	2017	
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") (note a)	PRC	**46%**	46%	**46%**	46%	Provision of parking services
六安藍城佳園投資有限公司 Lu'an Lancheng Jiayuan Investment Co., Ltd. ("Lu'an Lancheng") (note b)	PRC	**35%**	–	**35%**	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. INTERESTS IN JOINT VENTURES *(Continued)*

Notes:

(a) During the year ended 31 December 2017, the paid-up capital of Shenzhen Yixuan, a former non-wholly owned subsidiary of the Company, was increased due to capital injection by an independent third party and the Group's shareholding in Shenzhen Yixuan was diluted from 51% to 46%. Upon the capital injection by the independent third party, the Group had lost control over Shenzhen Yixuan and details of the deemed disposed of Shenzhen Yixuan were set out in note 43(b). Pursuant to the amended shareholder's agreement, the Group has 46% voting right at the shareholder's meeting of Shenzhen Yixuan, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10% equity interests in Shenzhen Yixuan, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder.

(b) During the year ended 31 December 2018, the Group acquired 35% equity interest in Lu'an Lancheng at a consideration of RMB17,000,000. Upon the completion of acquisition, the Group has 35% voting right at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, the two shareholders hold 51% and 14% equity interests in Lu'an Lancheng, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Lu'an Lancheng is jointly controlled by the Group and the 51% shareholder.

(c) During the year ended 31 December 2018, the Group made total capital contributions of RMB30,000,000 to establish certain joint ventures with a number of joint venture partners. The joint ventures mainly act as investment holding companies and invest in community-related services.

(d) During the year ended 31 December 2018, the Group received dividend of RMB2,403,000 from certain joint ventures.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represented amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using equity method in these consolidated financial statements.

Shenzhen Yixuan

	2018 **RMB'000**	2017 RMB'000
Current assets	**61,303**	28,828
Non-current assets	**121,105**	107,200
Current liabilities	**98,362**	75,138
The above amounts of assets and liabilities include the followings:		
Bank balances and cash	**17,239**	696
Profit and other comprehensive income for the year/period	**23,156**	4,191
The above profit for the period include the followings:		
Depreciation of property, plant and equipment	**18,874**	5,224
Income tax expenses	**4,086**	740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. INTERESTS IN JOINT VENTURES *(Continued)*

Shenzhen Yixuan *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Yixuan recognised in the consolidated financial statements:

	2018 **RMB'000**	2017 RMB'000
Net assets of Shenzhen Yixuan	**84,046**	60,890
Proportion of the Group's ownership interest	**46%**	46%
	38,661	28,009
Goodwill	**16,519**	16,519
Carrying amount of the Group's interest	**55,180**	44,528

Aggregate information of joint ventures that are not individually material:

	2018 **RMB'000**	2017 RMB'000
The Group's share of (loss) profit and other comprehensive (expense) income	**(140)**	60
Aggregate carrying amount of the Group's interests in these joint ventures	**45,574**	1,117

20. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	Notes	**2018** **RMB'000**	2017 RMB'000
Unlisted equity investments			
– Home E&E	(a)	**75,288**	75,000
– Wuhu Gopher	(b)	**–**	60,000
– Others	(c)	**45,167**	13,457
		120,455	148,457

Notes:

(a) The equity investment represented the Group's investment in equity securities issued by Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("Home E&E"), a fellow subsidiary of the Company, which primarily engaged in property management, asset operation and management and the relevant value-added services for commercial properties in the PRC. The investment represented 4.2% shareholding of Home E&E.

(b) As at 31 December 2017, the Group and other investors of Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司) ("Wuhu Gopher") agreed to withdraw the investment and deregister Wuhu Gopher. During the year ended 31 December 2018, the deregistration of Wuhu Gopher was completed and capital of RMB60,000,000 was returned to the Group.

(c) The other unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2018 and 2017. The investees mainly engage in community-related services.

At 31 December 2017, the unlisted equity investments were designated as AFS investments. The Group does not intend to dispose of them in the near future. As at 31 December 2017, except for Home E&E, which were carried at fair value, the other unlisted equity investments were measured at cost less impairment.

As at 1 January 2018, the Group designated these investments as equity instruments measured at FVTOCI and no fair value changes related to these investments was adjusted.

As at 31 December 2018, the fair value of unlisted equity investment has been arrived at on the basis of valuations carried out by an independent qualified professional valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

Details of the fair value measurement of the investments are set out in note 41(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. INTANGIBLE ASSETS

	Property management contracts and customer relationship RMB'000
COST	
At 1 January 2017	250,826
Acquired on acquisition of subsidiaries (note 42)	59,445
At 31 December 2017 (originally stated)	310,271
Acquired on acquisition of subsidiaries under common control (note 2)	1,033,407
At 31 December 2017 (restated)	1,343,678
Acquired on acquisition of subsidiaries (note 42)	8,920
At 31 December 2018	1,352,598
AMORTISATION	
At 1 January 2017	40,523
Provided for the year	28,702
At 31 December 2017	69,225
Provided for the year	136,427
At 31 December 2018	205,652
CARRYING VALUES	
At 31 December 2018	1,146,946
At 31 December 2017 (restated)	1,274,453

The property management contracts and customer relationship were acquired from third parties through the acquisition of subsidiaries and/or business combination under common control.

The intangible assets have finite useful lives and are amortised on a straight line basis over 60 months to 120 months, taking into account the prior experience of the renewal pattern of property management contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. GOODWILL

	RMB'000
COST	
At 1 January 2017	750,450
Arising on acquisition of subsidiaries (note 42)	187,415
Disposal of subsidiaries (note 43)	(19,555)
At 31 December 2017 (originally stated)	918,310
Arising on acquisition of subsidiaries under common control (note 2)	1,290,649
At 31 December 2017 (restated)	2,208,959
Arising on acquisition of subsidiaries (note 42)	46,796
Disposal of subsidiaries (note 43)	(6,831)
At 31 December 2018	2,248,924
IMPAIRMENT	
At 1 January 2018, 31 December 2017 and 2018	870
CARRYING VALUES	
At 31 December 2018	2,248,054
At 31 December 2017 (restated)	2,208,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill above has been allocated to certain groups of cash-generating units, comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these groups of cash-generating units are as follows:

	2018 **RMB'000**	2017 RMB'000
Shenzhen region	**169,157**	169,157
Southern China	**353,384**	360,215
Eastern China	**650,229**	606,316
Southwestern China	**468,225**	465,342
Northwestern China	**113,964**	113,964
Northeastern China	**75,364**	75,364
Northern China	**159,596**	159,596
Central China	**258,135**	258,135
	2,248,054	2,208,089

During the years ended 31 December 2018 and 2017, the management of the Group determined that there is no impairment of any of these groups of CGUs containing goodwill arising from the acquisition of businesses and/or business combination under common control.

The recoverable amounts of the above CGUs have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates and discount rates as at 31 December 2018.

Cash flow projections during the budget period for the CGUs are based on the management's key estimation of cash inflows/outflows including revenue, gross profit and operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. GOODWILL *(Continued)*

The discount rates reflect specific risks relating to the relevant CGUs. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

	2018	2017
Discount rates	**21% – 22%**	14% – 20%
Growth rate within the five-year period	**6% – 11%**	5% – 8%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts to exceed its recoverable amounts.

23. CONTRACT ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000 (note)
Unbilled revenue of equipment installation services	**81,698**	64,562
Retention receivables	**243**	679
	81,941	65,241
Less: allowance for credit losses	**(2,376)**	(2,009)
	79,565	63,232
Classified as:		
Non-current assets	**21,804**	10,983
Current assets	**57,761**	52,249
	79,565	63,232

Note: The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. CONTRACT ASSETS *(Continued)*

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services relate to the installation of energy-saving lighting systems for the communities managed by the Group. The Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. The unbilled revenue is discounted at an effective interest rate of 8.0% per annum for the year ended 31 December 2018 and 2017. Upon the rights to consideration for the equipment installation services become unconditional, the amounts are transferred out of contract assets to trade receivables.

The amounts of RMB21,804,000 are expected to transfer out to trade receivables after one year and are classified as non-current assets and the amounts of RMB57,761,000 are expected to transfer out to trade receivables within one year and are classified as current assets.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 31 December 2017 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	1,352	657	2,009
Balance at 1 January 2018 under HKFRS 9	1,352	657	2,009
Impairment loss, net of reversal	367	–	367
Balance at 31 December 2018	1,719	657	2,376

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2018 RMB'000	2017 RMB'000 (restated)
Trade receivables			
– services	(a)	**627,072**	533,304
– leasing		**46,922**	33,884
– retention receivables	(b)	**–**	679
– unbilled revenue	(b)	**–**	20,869
		673,994	588,736
Less: allowance for credit losses		**(44,284)**	(39,441)
Total trade receivables		**629,710**	549,295
Other receivables and prepayments:			
Refundable deposits		**402,493**	62,453
Advances to staffs	(c)	**66,848**	40,787
Prepayments to suppliers		**102,114**	258,323
Consideration receivables for disposal of subsidiaries (note 43(a))		**32,000**	–
Receivables for residential and commercial units rental assistance services on behalf of customers		**12,069**	25,418
Receivables from former shareholders of subsidiaries		**8,955**	13,870
Others		**96,371**	77,728
		720,850	478,579
		1,350,560	1,027,874
Classified as:			
Non-current			
Trade receivables	(b)	**–**	10,983
Other receivables and prepayments		**6,286**	6,989
		6,286	17,972
Current			
Trade receivables		**629,710**	538,312
Other receivables and prepayments		**714,564**	471,590
		1,344,274	1,009,902
		1,350,560	1,027,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Notes:

(a) As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers net of allowance for credit losses amounted to RMB582,788,000 and RMB492,306,000 (restated) respectively.

(b) As at 31 December 2017, included in the trade receivables are retention receivables of RMB679,000 and unbilled revenue of RMB20,869,000, of which RMB10,983,000 were due after one year. Upon application of HKFRS 15, the retention receivables and unbilled revenue were reclassified to contract assets.

(c) The balances included the housing loans amounting to RMB7,442,000 (2017: RMB8,601,000) granted to staffs by the Group for their purchases of own properties. The housing loans bear interests at the rate ranging from 5.4% to 10% per annum and would be repaid in seven to ten years. Based on the terms of the housing loans agreements, the amounts of RMB1,156,000 (2017: RMB1,612,000) to be repaid in one year are classified as current assets and the amounts of RMB6,286,000 (2017: RMB6,989,000) to be repaid after one year are classified as non-current assets.

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

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

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

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

	2018	2017
	RMB'000	RMB'000
		(restated)
0 – 30 days	**256,004**	209,524
31 – 90 days	**168,111**	132,118
91 – 180 days	**121,741**	117,812
181 – 365 days	**53,991**	51,964
Over 1 year	**29,863**	37,877
	629,710	549,295

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB373,696,000 which are past due as at the reporting date. Out of the past due balances, RMB205,585,000 has been past due 90 days or more and is not considered as in default, as the Group has historical settlement information to demonstrate that a more lagging default criterion is more appropriate.

At 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of RMB339,771,000 (restated), which were past due as at the end of the reporting period for which the Group had not provided for impairment loss.

The Group does not hold any collateral over these balances as at 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Aging of past due but not impaired trade receivables

	2018 **RMB'000**	2017 RMB'000 (restated)
0 – 90 days	**168,111**	132,118
91 – 180 days	**121,731**	117,812
181 – 365 days	**53,991**	51,964
Over 1 year	**29,863**	37,877
	373,696	339,771

Movements of allowance for doubtful debts

	RMB'000
Balance at 1 January 2017	24,851
Amounts written off	(3,218)
Impairment loss, net of reversal	17,808
Balance at 31 December 2017	39,441

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 31 December 2017 under HKAS 39	–	39,441	39,441
Adjustment upon application of HKFRS 9	2,242	(685)	1,557
Balance at 1 January 2018 under HKFRS 9	2,242	38,756	40,998
Impairment loss, net of reversal	4,112	7,099	11,211
Transfer to credit-impaired	(1,636)	1,636	–
Amounts written off	–	(7,925)	(7,925)
Balance at 31 December 2018	4,718	39,566	44,284

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 41(b).

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25. LOAN RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(a)	**221,944**	84,344
– property management companies	(b)	**25,267**	–
		247,211	84,344
Less: amounts shown under non-current assets		**(35,868)**	(44,794)
Amounts shown under current assets		**211,343**	39,550

Notes:

(a) As at 31 December 2018, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB221,944,000 (2017: RMB84,344,000). The loans carry interests ranging from 6.0% to 15.0% (2017: 10.5% to 15.0%) per annum and will mature from March 2019 to January 2020. Included in loan receivables, the amounts of RMB32,500,000 (2017: RMB32,500,000) are pledged by equity interest in the borrowers and amounts of RMB24,000,000 (2017: RMB30,000,000) are pledged by properties and land use rights held by the independent third parties. At 31 December 2018, the amounts of RMB194,431,000 (2017: RMB39,550,000) are due in one year and are classified as current assets and the amounts of RMB27,513,000 (2017: RMB44,794,000) are due after one year and are classified as non-current assets.

(b) During the year ended 31 December 2018, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB25,267,000. The loans carry interests at 15.0% per annum and will mature from September 2019 to June 2025. At 31 December 2018, the amounts of RMB16,912,000 are due in one year and are classified as current assets and the amounts of RMB8,355,000 are due after one year and are classified as non-current assets.

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

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26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2018 and 2017:

	Allowance for credit losses	Temporary difference on long-term receivables/ contract assets and others	Fair value adjustments of properties	Fair value adjustments of AFS investments/ equity instrument designated at FVTOCI	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	26,506	(1,459)	(14,130)	(5,776)	(52,576)	(47,435)
Acquisition of subsidiaries (note 42)	–	2,050	–	–	(14,861)	(12,811)
Disposal of subsidiaries (note 43)	–	–	546	–	–	546
Credit (charge) to profit or loss	10,836	(3,191)	2,922	–	7,176	17,743
Charge to other comprehensive income	–	–	–	(474)	–	(474)
At 31 December 2017 (originally stated)	37,342	(2,600)	(10,662)	(6,250)	(60,261)	(42,431)
Acquisition of subsidiaries under common control (note 2)	–	–	–	–	(258,352)	(258,352)
At 31 December 2017 (restated)	37,342	(2,600)	(10,662)	(6,250)	(318,613)	(300,783)
Effect arising from initial application of HKFRS 9 (note 3)	2,623	–	–	–	–	2,623
At 1 January 2018 (adjusted)	39,965	(2,600)	(10,662)	(6,250)	(318,613)	(298,160)
Acquisition of subsidiaries (note 42)	–	–	–	–	(2,230)	(2,230)
Credit (charge) to profit or loss	9,020	(162)	(2,099)	–	34,107	40,866
Charge to other comprehensive income	–	–	–	(72)	–	(72)
At 31 December 2018	**48,985**	**(2,762)**	**(12,761)**	**(6,322)**	**(286,736)**	**(259,596)**

26. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2018 RMB'000	2017 RMB'000 (restated)
Deferred tax assets	**48,985**	37,342
Deferred tax liabilities	**(308,581)**	(338,125)
	(259,596)	(300,783)

The Group had unutilised tax losses of RMB141,431,000 (2017 restated: RMB132,323,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB235,128,000 (2017: RMB182,524,000). A deferred tax asset has been recognised in respect of RMB195,940,000 (2017: RMB149,368,000). No deferred tax asset has been recognised for the remaining amounts of RMB39,188,000 (2017: RMB33,156,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. DEPOSITS PAID FOR POTENTIAL ACQUISITIONS OF SUBSIDIARIES

As at 31 December 2017, the Group has made deposits of RMB52,793,000 in relation to the proposed acquisition of business through acquisition of Hangzhou Zhuosheng Property Management Co., Ltd. (杭州卓盛物業管理有限公司) ("Hangzhou Zhuosheng"), Siyang Jiahua Property Management Co., Ltd. (泗陽嘉華物業管理有限公司) ("Siyang Jiahua"), Jiangsu Zhiyuan Property Management Co., Ltd. (江蘇志遠物業管理有限公司) ("Jiangsu Zhiyuan"), Suqian Zhongshang Property Management Co., Ltd. (宿遷中尚物業管理有限公司) ("Suqian Zhongshang"), Liuzhou Zhongshi Property Services Co., Ltd. (柳州市中實物業服務有限責任公司) ("Liuzhou Zhongshi"), Fuzhou Rongxin Property Services Co., Ltd. (撫州市榮鑫物業服務有限公司) and Shenzhen Xuancai Life Network Technology Co., Ltd. (深圳市炫彩生活網路科技有限公司) from independent third parties. The acquisition of Hangzhou Zhuosheng, Siyang Jiahua, Jiangsu Zhiyuan, Suqian Zhongshang and Liuzhou Zhongshi were completed in 2018.

As at 31 December 2018, the Group has made deposits of RMB69,834,000 in relation to the proposed acquisition of business through acquisition of Beijing Daerwen International Hotel Property Management Co., Ltd. (北京達爾文國際酒店物業管理有限公司) and several other property management companies from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

At the date these consolidated financial statements are authorised for issuance, the acquisitions of these subsidiaries have not been completed.

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28. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2017 RMB'000
Contracts in progress at the end of the reporting period	
Contract costs incurred plus recognised profits less recognised losses	149,075
Less: Progress billing	(119,160)
	29,915
Represented by:	
Amounts due from contract customers within one year	43,693
Amounts due to contract customers within one year	(13,778)
	29,915

As at 1 January 2018, amounts due from/to customers for contract works in relation to engineering services contracts, which were previously accounted under HKAS 11, were reclassified to contract assets and contract liabilities, respectively.

29. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	Notes	2018 RMB'000	2017 RMB'000 (restated)
Payments on behalf of residents for residential communities	(a)		
– under commission basis	(c)	**714,272**	490,289
– under lump sum basis	(d)	**172,708**	101,876
– under consultancy services arrangements	(e)	**14,453**	13,792
		901,433	605,957
Less: allowance for credit losses		**(122,816)**	(83,462)
		778,617	522,495
Receipts on behalf of residents for residential communities	(b)		
– under commission basis	(c)	**70,131**	157,872
– under lump sum basis	(d)	**333,030**	214,450
– under consultancy services arrangements	(e)	**3,515**	10,033
		406,676	382,355

29. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Notes:

(a) Payments on behalf of residents under lump sum basis and consultancy service arrangements which were previously included in other receivables and prepayments in prior years. Starting from the current year, the amount is reclassified to “payments on behalf of residents” in the consolidated statement of financial position as at 31 December 2018 to achieve a better presentation and the comparative figures comprising payments on behalf of residents under lump sum basis, consultancy service arrangements and merger accounting restatement of RMB58,642,000, RMB13,792,000 and RMB43,234,000 respectively have been reclassified to conform with the current period presentation.

(b) Receipts on behalf of residents under lump sum basis and consultancy service arrangements which were previously included in other payables and accruals in prior years. Starting from the current year, the amount is reclassified to “receipts on behalf of residents” in the consolidated statement of financial position as at 31 December 2018 to achieve a better presentation and the comparative figures comprising receipts on behalf of residents under lump sum basis, consultancy service arrangements and merger accounting restatement of RMB54,641,000, RMB10,033,000 and RMB159,809,000 respectively have been reclassified to conform with the current period presentation.

(c) The balances represent the current accounts with the property management offices of residential communities, which are the representatives of the residents of residential communities, managed by the Group. These property management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the 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 entities.

(d) The balances represent the current accounts with individual residents of the residential communities managed by the Group.

(e) The balances represent the current accounts with the property management companies under consultancy services arrangement, including provision of treasury function by the Group for their management of the residential communities.

(f) A net receivable balance represents expenditures paid by the Group on behalf of the residential community, individual residents or property management companies in excess of the property management fees/reimbursements collected from the residents of that residential community. A net payable balance represents property management fee/reimbursements collected from residents of the residential community in excess of the expenditures paid by the Group on behalf of the residential community, individual residents or property management companies.

(g) As at 31 December 2018 and 1 January 2018, payments on behalf of residents amounted to RMB778,617,000 and RMB515,568,000 respectively.

Movements of allowance for doubtful debts in relation to payments on behalf of residents

	RMB’000
Balance at 1 January 2017	54,708
Amounts written off	(3,209)
Impairment loss, net of reversal	31,963
Balance at 31 December 2017	83,462

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29. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Movements of allowance for credit losses under lifetime ECL in relation to payments on behalf of residents

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 31 December 2017 under HKAS 39	–	83,462	83,462
Adjustment upon application of HKFRS 9	5,878	1,049	6,927
Balance at 1 January 2018 under HKFRS 9	5,878	84,511	90,389
Impairment loss, net of reversal	4,932	35,914	40,846
Transfer to credit-impaired	(599)	599	–
Amounts written off	–	(8,419)	(8,419)
Balance at 31 December 2018	10,211	112,605	122,816

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

30. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL mainly include money market funds investment issued by a reputable securities corporation.

The return and principal of money market fund investments were not guaranteed by the securities corporation. The investments as above have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis. The fair value of the money market funds investment at 31 December 2018 and 2017 are determined by market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits. Details of the fair value are set out in note 41(c).

As at 31 December 2018, the principal of the investments are RMB26,062,000 (2017: RMB191,898,000). In the opinion of directors, the fair value of investment at 31 December 2018 approximated to their principal amount.

31. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits as at 31 December 2018 amounting to RMB346,000,000 (2017: RMB377,175,000) were pledged to banks to secure the banking facilities granted to the Group.

For both the year ended 31 December 2018 and 2017, the Group's pledged bank deposits and bank balances carry interest at rates which range from 0.35% to 3.70% and from 0.01% to 1.50% per annum, respectively.

32. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000 (restated)
Trade payables	**504,403**	284,159
Other payables and accruals:		
Advances from customers (note)	**–**	460,150
Deposits received	**319,421**	302,347
Accrued staff costs	**298,901**	173,162
Provision for retirement benefit contributions	**157,040**	130,861
Other tax payable	**80,010**	70,480
Consideration payables for acquisition of subsidiaries	**4,690**	4,937
Receipts on behalf of online platform merchants	**1,847**	3,055
Rental payable	**1,613**	1,273
Other payables and accruals	**104,208**	61,560
	967,730	1,207,825
Total	**1,472,133**	1,491,984

Note: The Group has initially applied HKFRS 15 at 1 January 2018, and advances from customers of RMB460,150,000 previously included in other payables and accruals were reclassified to contract liabilities.

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2018 RMB'000	2017 RMB'000 (restated)
0 – 60 days	**321,442**	177,014
61 – 180 days	**129,429**	79,717
181 – 365 days	**36,924**	18,395
Over 1 year	**16,608**	9,033
	504,403	284,159

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33. CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018 RMB'000 (note)
Advances from customers:		
Property management services	**218,586**	460,150
Equipment installation services	**20,106**	13,778
	238,692	473,928

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities.

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	460,150	8,358	468,508

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives the monthly property management service fee from customers in advance, it will give rise to contract liabilities, until the revenue recognised on the relevant contract upon provision of property management services, which are expected to be completed within one year from the date of advance payment made by customers.

The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts within services are expected to be rendered within one year from the date of payment made by customers.

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For the year ended 31 December 2018

34. BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000 (restated)
Bank loans		**628,191**	979,981
Other loans	(a)/(b)	**2,455,565**	1,089,219
		3,083,756	2,069,200
Secured	(c)	**1,023,382**	542,360
Unsecured		**2,060,374**	1,526,840
		3,083,756	2,069,200
Variable-rate borrowings		**395,764**	547,035
Fixed-rate borrowings		**2,687,992**	1,522,165
		3,083,756	2,069,200
Carrying amounts repayable:			
Within one year		**1,362,868**	674,030
More than one year, but not exceeding two years		**54,265**	374,948
More than two years, but not exceeding five years		**1,666,623**	1,020,222
		3,083,756	2,069,200
Less: amounts due within one year shown under current liabilities		**(1,362,868)**	(674,030)
Amounts shown under non-current liabilities		**1,720,888**	1,395,170

Certain bank and other borrowings as at the end of each reporting period were secured by the pledge of assets set out in note 51 and equity interests in certain subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2018, included in other loans, amounting to 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 2, the former joint venture partner is entitled to a fixed return in Shenzhen Wanxiang and became a fund provider to Shenzhen Wanxiang.

(b) As at 31 December 2018, included in other loans, amounting to RMB690,000,000 represents loan provided by a trust company and carries interest at 7.6% per annum. The loan is guaranteed by Fantasia Group (China) Co., Ltd. (花樣年集團（中國）有限公司) ("Fantasia China"), a fellow subsidiary of the Company. The amount was fully settled in January 2019.

(c) The securities provided by the Group of the secured loans were the pledged bank deposits of the Group and equity interests of certain subsidiaries of the Company. Details of pledged assets were disclosed in note 51.

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements. As at 31 December 2018, all borrowings are dominated in RMB except that secured other borrowings amounting to RMB644,523,000 denominated in United Stated Dollars ("USD"). As at 31 December 2017, all borrowings are dominated in RMB except that secured bank borrowings amounting to RMB21,633,000 dominated in Hong Kong Dollars ("HKD").

The ranges of effective interest rates on the Group's borrowings are as follows:

	2018	2017
Variable-rate borrowings	**2.10% to 6.96%**	2.18% to 6.54%
Fixed-rate borrowings	**4.28% to 14%**	3.45% to 14%

35. CORPORATE BONDS

	Notes	**2018 RMB'000**	2017 RMB'000
Domestic Corporate Bonds I	(a)	**106,092**	104,977
Domestic Corporate Bonds II	(b)	**61,493**	301,394
Domestic Corporate Bonds III	(c)	**147,916**	146,231
		315,501	552,602
Carrying amounts repayable:			
Within one year		**181,497**	16,300
More than one year, but not exceeding two years		**10,635**	391,797
More than two years, but not exceeding five years		**123,369**	144,505
		315,501	552,602
Less: amounts due within one year shown under current liabilities		**(181,497)**	(16,300)
Amounts shown under non-current liabilities		**134,004**	536,302

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35. CORPORATE BONDS *(Continued)*

Notes:

(a) In January 2016, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life"), a wholly-owned subsidiary of the Company, issued domestic corporate bonds in aggregate principal amount of RMB100,000,000. The corporate bonds are guaranteed by Fantasia China, carrying a nominal interest at rate of 6.7 % per annum and interest is payable annually, commencing in January 2017. The issue price is 98.8% of the principal. The effective interest rate is 7.9% per annum. The corporate bonds was repaid upon maturity in January 2019.

(b) In September 2016, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB300,000,000. The corporate bonds are guaranteed by Fantasia China, carrying an original nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in September 2017. The issue price is 97.1% of the principal. The original effective interest rate is 8.1% per annum. The Domestic Corporate Bonds II will mature in September 2019.

In September 2018, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the bond holders may at their options to sell back the bonds to the Group in whole or in part at face value of their principal amount.

In September 2018, Shenzhen Colour Life adjusted the nominal interest rate from 7.0% per annum to 8.0% and certain bond holders exercised the put options and sold back certain corporate bonds in aggregate principal amount of RMB240,000,000 to Shenzhen Colour Life. The related loss of redemption of RMB2,512,000 is recognised in profit or loss.

For the remaining RMB60,000,000 of corporate bonds, the adjusted nominal interest rate and effective interest rate is 8.0% per annum. The loss of adjustment to the carrying amount of the remaining corporate bonds of RMB628,000 is recognised in profit or loss at the date of modification.

(c) In November 2017, Shenzhen Colour Life issued domestic corporate bonds in aggregate principal amount of RMB150,000,000. The corporate bonds are guaranteed by Fantasia China, carrying a nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in November 2018. The issue price is 96.3% of the principal. The effective interest rate is 8.4% per annum. The corporate bonds will mature in November 2020.

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

	2018	2017
	RMB'000	RMB'000
At 1 January	**552,602**	402,585
Net proceeds on the date of issuance of corporate bonds	**–**	144,504
Effective interest recognised	**37,959**	33,213
Payment of interests	**(38,200)**	(27,700)
Redemption of corporate bonds	**(240,000)**	–
Loss on redemption/modification of corporate bonds	**3,140**	–
At 31 December	**315,501**	552,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. ASSET-BACKED SECURITIES ISSUED

	Notes	2018 RMB'000	2017 RMB'000
Asset-backed securities issued			
2016 ABS	(a)	**174,228**	227,737
2018 ABS	(b)	**86,191**	–
		260,419	227,737
Carrying amounts repayable:			
Within one year		**96,666**	42,533
More than one year, but not exceeding two years		**62,117**	56,986
More than two years, but not exceeding five years		**101,636**	128,218
		260,419	227,737
Less: amounts due within one year shown under current liabilities		**(208,636)**	(42,533)
Amounts shown under non-current liabilities		**51,783**	185,204

Notes:

(a) In August 2016, Shenzhen Colour Life issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of 2016 ABS amounting to RMB135,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2016 ABS may at their options to sell back the 2016 ABS to the Group in whole or in part at face value of their principal amount in August 2019. Therefore, the carrying amount of 2016 ABS amounting to RMB135,000,000 are classified as current liabilities as at 31 December 2018. The directors considered that the fair value of the put option is insignificant on initial recognition, 31 December 2017 and 2018.

(b) In January 2018, Shenzhen Colour Life issued the asset-backed securities ("2018 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2018 ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of 2018 ABS amounting to RMB36,000,000, at the end of second year, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2018 ABS may at their options to sell back the 2018 ABS to the Group in whole or in part at face value of their principal amount. The directors considered that the fair value of the put options is insignificant on initial recognition and 31 December 2018.

36. ASSET-BACKED SECURITIES ISSUED *(Continued)*

The movement of the asset-backed securities during the year is set out below:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**227,737**	275,084
Net proceeds on the date of issuance of asset-backed securities	**98,236**	–
Effective interest recognised	**22,083**	19,332
Repayment	**(71,250)**	(51,250)
Interest paid	**(16,387)**	(15,429)
At 31 December	**260,419**	227,737

37. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HKD'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 31 December 2018		**50,000,000**	**5,000,000**
Issued and fully paid:			
At 1 January 2017		1,000,119	100,012
Cancelled upon repurchase of shares		(4,378)	(438)
At 31 December 2017	(a)	995,741	99,574
Issue of shares upon combination of entities under common control	(b)	231,500	23,150
Placement of new shares	(c)	87,246	8,725
Issue of shares upon exercise of share options	(d)	14,151	1,415
At 31 December 2018		**1,328,638**	**132,864**

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37. SHARE CAPITAL *(Continued)*

	Amount
	RMB'000
Shown in the consolidated financial statements:	
At 31 December 2018	106,800
At 31 December 2017	78,945

Notes:

(a) During the year ended 31 December 2017, a total of 4,378,000 shares were repurchased at a total consideration of RMB18,787,000 and cancelled.

(b) 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 year and remaining balance of RMB418,687,000 is recognised as amounts due to fellow subsidiaries (see note 50(b)). The shares were issued on 7 March 2018 and the fair value of the shares issued, based on the quoted price of the shares on that date, was HKD1,122,775,000 (equivalent to RMB907,225,000).

(c) On 5 January 2018, the Company issued 87,246,000 new ordinary shares for subscription price of HKD5.00 per shares to existing non-controlling shareholders of the Company at a total consideration of RMB352,296,000. The subscription price represented a discount of approximately 7.92% to the closing price of HKD5.43 as quoted on the SEHK on 5 January 2018, being the date of subscription agreement. The shares rank pari passu with the then existing shares in issue in all respects.

(d) During the year ended 31 December 2018, the Company issued 14,151,000 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB75,870,000 in aggregate. The exercise price of the share options during the year ranging from HKD5.76 to HKD6.66 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

38. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Colour Life's Scheme") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the Company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Persons to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Colour Life's Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

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38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

As at 31 December 2018, the total number of shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 85,730,000 (2017: 80,678,000) of HKD0.1 each, representing 6.5% (2017: 8.1%) of the issued share capital of the Company.

Details of the share options granted under the Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HKD6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	HKD4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	HKD6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	HKD11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	HKD5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	HKD4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029

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38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2018 and 2017:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2017 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2017 '000	Granted during the year '000	Lapsed during the year '000 (note)	Exercised during the year '000	Outstanding at 31 December 2018 '000
Directors	29 September 2014	N/A	520	–	–	–	520	–	–	–	520
		29/9/2014 – 28/9/2015	1,064	–	–	–	1,064	–	–	(50)	1,014
		29/9/2014 – 28/9/2016	1,064	–	–	–	1,064	–	–	(50)	1,014
		29/9/2014 – 28/9/2017	548	–	–	–	548	–	–	(50)	498
	30 April 2015	30/4/2015 – 29/4/2016	436	–	–	–	436	–	(60)	–	376
		30/4/2015 – 29/4/2017	435	–	–	–	435	–	(60)	–	375
		30/4/2015 – 29/4/2018	435	–	–	–	435	–	(60)	–	375
	18 March 2016	18/3/2016 – 17/3/2017	427	–	–	–	427	–	(20)	(40)	367
		18/3/2016 – 17/3/2018	426	–	–	–	426	–	(20)	(40)	366
		18/3/2016 – 17/3/2019	426	–	–	–	426	–	(20)	(40)	366
	27 November 2018	27/11/2018 – 26/11/2019	–	–	–	–	–	934	–	–	934
		27/11/2018 – 26/11/2020	–	–	–	–	–	933	–	–	933
		27/11/2018 – 26/11/2021	–	–	–	–	–	933	–	–	933
			5,781	–	–	–	5,781	2,800	(240)	(270)	8,071
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	5,535	–	(189)	–	5,346	–	–	(1,203)	4,143
		29/9/2014 – 28/9/2015	11,623	–	(545)	–	11,078	–	–	(2,519)	8,559
		29/9/2014 – 28/9/2016	11,623	–	(545)	–	11,078	–	–	(2,519)	8,559
		29/9/2014 – 28/9/2017	5,968	–	(357)	–	5,611	–	–	(1,313)	4,298
	30 April 2015	30/4/2015 – 29/4/2016	6,244	–	(511)	–	5,733	–	–	–	5,733
		30/4/2015 – 29/4/2017	6,243	–	(511)	–	5,732	–	–	–	5,732
		30/4/2015 – 29/4/2018	6,243	–	(511)	–	5,732	–	–	–	5,732
	18 March 2016	18/3/2016 – 17/3/2017	10,484	–	(2,288)	–	8,196	–	(7)	(2,109)	6,080
		18/3/2016 – 17/3/2018	10,484	–	(2,288)	–	8,196	–	(7)	(2,109)	6,080
		18/3/2016 – 17/3/2019	10,483	–	(2,288)	–	8,195	–	(8)	(2,109)	6,078
	27 November 2018	27/11/2018 – 26/11/2019	–	–	–	–	–	5,555	–	–	5,555
		27/11/2018 – 26/11/2020	–	–	–	–	–	5,555	–	–	5,555
		27/11/2018 – 26/11/2021	–	–	–	–	–	5,555	–	–	5,555
			84,930	–	(10,033)	–	74,897	16,665	(22)	(13,881)	77,659
Total			90,711	–	(10,033)	–	80,678	19,465	(262)	(14,151)	85,730
Exercisable at the end of the year							57,268				59,821
Weighted average exercise price at the date of exercise (HKD)							–				6.25

Note: During the year ended 31 December 2018, 262,000 share options to employees were lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option – Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	18 March 2016	30 April 2015	29 September 2014
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.11	HKD5.76	HKD11.00	HKD6.66
Expected volatility	50.79%	46.20%	46.26%	48.82%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	3.65%	1.55%	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB24,625,000 on 27 November 2018, respectively. The Group recognised the total expense of RMB10,788,000 (2017: RMB45,303,000) for the year ended 31 December 2018 in relation to share options granted by the Company.

(b) Fantasia Holdings

The share option scheme of Fantasia Holdings (the "Fantasia's Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on 28 August 2021 and 15 October 2022. Under the Fantasia's Scheme, the Board of Directors of Fantasia Holdings is authorised to grant options at a consideration of HKD1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Fantasia Holdings' Shares").

The maximum number of Fantasia Holdings' Shares which may be issued upon exercise of all options to be granted under the Fantasia's Scheme ("Fantasia's Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Fantasia's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings' share capital or with a value in excess of HKD5 million must be approved in advance by Fantasia Holdings' shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Fantasia's Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia on the offer date; (ii) the average of the closing price of Fantasia Holdings' Shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at 31 December 2018, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted to eligible directors and employees of the Company under the Fantasia's Scheme is 17,190,000 (2017: 17,190,000) of HKD0.1 each, representing 0.3% of the issued share capital of Fantasia Holdings.

Details of the share options granted under the Fantasia's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

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For the year ended 31 December 2018

38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The following table discloses movements of Fantasia Holdings' share options held by employees and directors of the Group during the years ended 31 December 2018 and 2017:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2017 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2017 '000	Granted during the year '000	Lapsed during the year '000 (note)	Exercised during the year '000	Outstanding at 31 December 2018 '000
Directors of the Company (note)	29 August 2011	29/8/2011 – 28/8/2012	634	–	–	–	634	–	–	–	634
		29/8/2011 – 28/8/2013	1,268	–	–	–	1,268	–	–	–	1,268
		29/8/2011 – 28/8/2014	4,438	–	–	–	4,438	–	–	–	4,438
	16 October 2012	16/10/2012 – 15/10/2013	861	–	–	–	861	–	–	–	861
		16/10/2012 – 15/10/2014	1,722	–	–	–	1,722	–	–	–	1,722
		16/10/2012 – 15/10/2015	6,027	–	–	–	6,027	–	–	–	6,027
			14,950	–	–	–	14,950	–	–	–	14,950
Employee of the Company (note)	29 August 2011	29/8/2011 – 28/8/2012	112	–	–	–	112	–	–	–	112
		29/8/2011 – 28/8/2013	224	–	–	–	224	–	–	–	224
		29/8/2011 – 28/8/2014	784	–	–	–	784	–	–	–	784
	16 October 2012	16/10/2012 – 15/10/2013	112	–	–	–	112	–	–	–	112
		16/10/2012 – 15/10/2014	224	–	–	–	224	–	–	–	224
		16/10/2012 – 15/10/2015	784	–	–	–	784	–	–	–	784
			2,240	–	–	–	2,240	–	–	–	2,240
Total			17,190	–	–	–	17,190	–	–	–	17,190
Exercisable at the end of the year							17,190				17,190

Note: No expense for the year ended 31 December 2018 and 2017 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. SHARE AWARD SCHEME

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

Up to 31 December 2017, total of 1,766,000 Company’s shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB9,010,000 in aggregate. During the year ended 31 December 2018, all of the 1,766,000 Company’s shares acquired for the Share Award Scheme were awarded to eligible employees as reward for their performance and contribution to the Group. The fair value of the awarded shares at the date of grant of RMB5,909,000 were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB3,101,000 was debited to retained profits.

During the year ended 31 December 2018, a total of 1,597,000 Company’s shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB5,585,000. Up to 31 December 2018, the 1,597,000 Company’s shares were acquired and the aggregate consideration paid for these shares in an amount of RMB14,595,000 was deducted from shareholders’ equity and the aforesaid shares acquired in 2018 have not been awarded to eligible employees or consultants of the Group.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debts, which includes borrowings as disclosed in note 34, corporate bonds as disclosed in note 35, asset-backed securities issued as disclosed in note 36, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates and joint ventures and related parties as disclosed in note 50(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group’s capital structure, the management will also monitor the utilisation of borrowings, corporate bonds and asset-backed securities issued to ensure compliance with financial covenants.

The management of the Group review the capital structure periodically and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000 (restated)
Financial assets		
Financial assets at amortised cost	**5,560,877**	–
Loans and receivables (including cash and cash equivalents)	**–**	4,100,052
Equity instruments designated at FVTOCI	**120,455**	–
Financial assets at FVTPL	**26,062**	191,898
AFS investments	**–**	148,457
Financial liabilities		
Amortised cost	**5,462,646**	3,871,799

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director, equity instruments designated at FVTOCI, financial assets at FVTPL, AFS investments, pledged bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties, borrowings, corporate bonds and asset-backed securities issued. Details of these financial instruments are disclosed in respective notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has bank balances and bank borrowings which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting period are as follows:

	2018 **RMB'000**	2017 RMB'000
Assets		
HKD	**49,988**	13,772
Singapore Dollars ("SGD")	**337**	3,955
Liabilities		
USD	**644,523**	–
HKD	**–**	21,633

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD, SGD and USD against RMB.

The following table details the Group's sensitivity to a 10% increase and decrease in the RMB against the relevant foreign currencies. 10% is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and bank borrowings. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency sensitivity analysis

	2018 RMB'000	2017 RMB'000
HKD		
(Decrease) increase in profit for the year	(4,999)	590
SGD		
Decrease in profit for the year	(34)	(297)
USD		
Increase in profit for the year	64,452	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on pledged bank deposits, bank balances and variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark quoted by the leading banks for the borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, corporate bonds, asset-backed securities issued, amounts due from a director and a fellow subsidiary, fixed-rate loan receivables and fixed-rate advances to staffs (see notes 34, 35, 36, 50(b), 25 and 24). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank balances and pledged bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and pledged bank deposits at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2018 (2017: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit for the year would have increased/decreased by RMB5,649,000 (2017 restated: RMB4,171,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk *(Continued)*

Sensitivity analysis *(Continued)*

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2017: 25 basis points) increase or decrease for the year ended 31 December 2018 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 50 basis points (2017: 25 basis points) during the year and all other variables were held constant, the Group's profit for the year would have decreased/increased by RMB1,484,000 (2017 restated: RMB1,025,000).

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables with exposure spread over a number of customers.

Payments on behalf of residents and contract assets

In order to minimise the credit risk, the Group applies internal credit rating for its customers on payments on behalf of residents and contract assets on a timely basis and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on payments on behalf of residents and contract assets based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the payments on behalf of residents and contract assets with exposure spread over a number of counter-parties. The payments on behalf of residents and contract assets from each counter-party contributed less than 10% of payments on behalf of residents and contact assets at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, loan receivables and amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director and bank balances

The credit risk of other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on the outstanding balances individually. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

In addition, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The amount of the loss allowance at each reporting period was insignificant to the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, loan receivables and amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director and bank balances *(Continued)*

The table below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	External credit rating	Internal credit rating	Notes	12m or life-time ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
– Trade receivables	N/A	(i)	24	Life-time ECL (provision matrix)	428,833
				Life-time ECL (credit-impaired and provision matrix)	245,161
					673,994
– Payments on behalf of residents	N/A	(ii)	29	Life-time ECL (provision matrix)	638,840
				Life-time ECL (credit-impaired and provision matrix)	262,593
					901,433
– Other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director	N/A	(iii)	24/25/50(b)	12m ECL	1,139,628
– Pledged bank balances and bank balances	AAA	N/A	31	12m ECL	3,008,267
Contract assets	N/A	(iv)	23	Life-time ECL (provision matrix)	81,249
				Life-time ECL (credit-impaired and provision matrix)	692
					81,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for trade receivables based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2018.

	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0 – 30 days	Not credit-impaired	0.5%	257,291	1,287
31 – 90 days	Not credit-impaired	2.0%	171,542	3,431
91 – 180 days	Credit-impaired	6.0%	129,512	7,771
181 – 365 days	Credit-impaired	12.0%	61,353	7,362
Over 1 year	Credit-impaired	45.0%	54,296	24,433
			673,994	44,284

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

(ii) Payments on behalf of residents

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

Category	Group definition of category
Type I	Communities which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations. The amounts are credit-impaired and there is no realistic prospect of recovery.
Type II	Communities to which the Group provides the pre-delivery property management services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual residents and there is lower risk of default.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix as at 31 December 2018.

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For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(ii) Payments on behalf of residents *(Continued)*

	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	95.0%	80,116	76,110
Type II	Not credit-impaired	5.0%	95,554	4,778
Type III	Not credit-impaired	1.0%	543,286	5,433
Type IV	Credit-impaired	20.0%	182,477	36,495
			901,433	122,816

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

(iii) Other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of other receivables, loan receivables, amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates, joint ventures and a director are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

(iv) Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflect their credit risk.

Category	Group definition of category
Type I	Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.
Type II	Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.
Type III	Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed collectively based on provision matrix as at 31 December 2018.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(iv) Contract assets *(Continued)*

	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Not credit-impaired	2.0%	78,128	1,563
Type II	Not credit-impaired	5.0%	3,121	156
Type III	Credit-impaired	95.0%	692	657
			81,941	2,376

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

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, corporate bonds and asset-backed securities issued and ensures compliance with relative covenants.

The Group relies on borrowings, corporate bonds and asset-backed securities issued as a significant source of liquidity. The Group had borrowings of RMB3,083,756,000 (2017 restated: RMB2,069,200,000) (note 34), corporate bonds of RMB315,501,000 (2017: RMB552,602,000) (note 35) and asset-backed securities issued of RMB260,419,000 (2017: RMB227,737,000) (note 36).

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For the year ended 31 December 2018

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables

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

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2018							
Trade and other payables	–	–	874,113	–	–	874,113	874,113
Receipts on behalf of residents	–	406,676	–	–	–	406,676	406,676
Amounts due to fellow subsidiaries							
– interest-bearing	16.53	–	396	1,188	2,767	4,351	2,864
– interest-free	–	448,649	–	–	–	448,649	448,649
Amounts due to non-controlling shareholders of the subsidiaries	–	38,561	–	–	–	38,561	38,561
Amounts due to associates	–	19,971	–	–	–	19,971	19,971
Amounts due to joint ventures	–	367	–	–	–	367	367
Amounts due to related parties	–	11,769	–	–	–	11,769	11,769
Borrowings							
– variable-rates	3.37	–	208,272	96,800	111,464	416,536	395,764
– fixed-rates	7.75	–	905,930	263,726	1,989,241	3,158,897	2,687,992
Corporate bonds	6.90	–	106,700	71,993	160,500	339,193	315,501
Asset-backed securities issued	6.39	–	36,747	71,550	183,046	291,343	260,419
		925,993	2,132,158	505,257	2,447,018	6,010,426	5,462,646
As at 31 December 2017 (restated)							
Trade and other payables	–	–	596,917	–	–	596,917	596,917
Receipts on behalf of residents	–	382,355	–	–	–	382,355	382,355
Amounts due to fellow subsidiaries							
– interest-bearing	16.53	–	396	1,188	4,351	5,935	3,855
– interest-free	–	1,995	–	–	–	1,995	1,995
Amounts due to non-controlling shareholders of the subsidiaries	–	16,472	–	–	–	16,472	16,472
Amounts due to associates	–	13,513	–	–	–	13,513	13,513
Amounts due to joint ventures	–	7,153	–	–	–	7,153	7,153
Borrowings							
– variable-rates	3.38	–	89,876	239,802	233,715	563,393	547,035
– fixed-rates	8.36	–	299,049	158,956	1,526,481	1,984,486	1,522,165
Corporate bonds	6.95	–	6,700	31,500	598,700	636,900	552,602
Asset-backed securities issued	5.83	–	17,224	51,892	196,943	266,059	227,737
		421,488	1,010,162	483,338	2,560,190	4,475,178	3,871,799

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes is variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

(c) Fair value

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		**Fair value hierarchy**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Financial assets at FVTPL	**26,062**	191,898	**Level 2**	Level 2
Equity instruments designated at FVTOCI	**120,455**	–	**Level 3**	N/A
AFS investments	**–**	75,000	**N/A**	Level 2

As at 31 December 2018 and 2017, the fair value of financial assets at FVTPL, being the money market funds investment, is estimated by an independent valuer through application of market approach, which arrived at by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short-term fixed deposits.

As at 31 December 2018, the fair value of equity instruments designated at FVTOCI is estimated by an independent valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

As at 31 December 2017, the fair value of AFS investment is estimated by an independent valuer by reference to recent transaction prices.

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41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

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

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

	Fair value hierarchy	2018 Carrying amount RMB'000	2018 Fair value RMB'000	2017 Carrying amount RMB'000	2017 Fair value RMB'000
Unlisted corporate bonds	Level 3	**315,501**	**319,073**	552,602	569,672
Asset-backed securities issued	Level 3	**260,419**	**268,483**	227,737	238,703

42. ACQUISITIONS OF SUBSIDIARIES

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration RMB'000
For the year ended 31 December 2018				
Siyang Jiahua	PRC	March	80%	2,580
Jiangsu Zhiyuan	PRC	March	85%	3,009
Hangzhou Zhuosheng	PRC	December	80%	33,988
Liuzhou Zhongshi	PRC	December	90%	11,000
Suqian Zhongshang	PRC	December	90%	1,300

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42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration
				RMB'000
For the year ended 31 December 2017				
福建永嘉商業物業管理有限公司 Fujian Yongjia Commercial Property Management Co., Ltd.	PRC	March	60%	1,200
武漢天宇弘物業管理有限公司 Wuhan Tianyuhong Property Management Co., Ltd. ("Wuhan Tianyuhong")	PRC	March	80%	4,800
寶雞市聚豐弘遠物業管理有限公司 Baoji Jufeng Property Management Co., Ltd. ("Baoji Jufeng")	PRC	March	70%	3,500
九江中輝恒佳物業服務有限公司 Jiujiang Zhonghui Hengjia Property Services Co., Ltd. ("Jiujiang Zhonghui")	PRC	March	100%	– (note)
深圳市前海微生活網絡服務有限公司 Shenzhen Qianhai Weishenghuo Internet Services Co., Ltd.	PRC	August	100%	– (note)
長沙市觀瀾湖物業服務有限公司 Changsha Guanlanhu Property Services Co., Ltd.	PRC	September	80%	30,000
南昌福田物業管理有限公司 Nanchang Futian Property Management Co., Ltd.	PRC	September	80%	11,980
常州源鑫物業服務有限公司 Changzhou Yuanxin Property Management Co., Ltd.	PRC	September	100%	10,000
高郵市通揚物業服務有限公司 Gaoyou Tongyang Property Services Co., Ltd.	PRC	September	70%	3,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Name of subsidiary acquired	Place of establishment/ incorporation	Acquisition in	Equity interest acquired	Consideration
				RMB'000
For the year ended 31 December 2017 *(Continued)*				
成都浩佳物業服務有限公司 Chengdu Haojia Property Management Co., Ltd.	PRC	September	90%	15,800
武漢九坤捷城物業管理有限公司 Wuhan Jiukun Jiecheng Property Management Co., Ltd.	PRC	September	70%	– (note)
常州九洲福安物業服務有限公司 Changzhou Jiuzhou Fuan Property Services Co., Ltd.	PRC	November	100%	39,700
本溪金利物業有限公司 Benxi Jinli Property Co., Ltd.	PRC	December	80%	6,200
上海同湬物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd. ("Shanghai Tonglai")	PRC	December	100%	100,000
上海友全物業管理有限公司 Shanghai Youquan Property Management Co., Ltd.	PRC	December	70%	12,652
濟南齊華物業管理有限公司 Jinan Qihua Property Management Co., Ltd.	PRC	December	51%	7,000

Note: The consideration was less than RMB1,000.

During the year ended 31 December 2018, all of the acquisitions were acquired from independent third parties.

During the year ended 31 December 2017, the Group acquired 80%, 70% and 100% equity interest of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, respectively, from certain non-controlling shareholders of subsidiaries of the Company. Except for acquisitions of Wuhan Tianyuhong, Baoji Jufeng and Jiujiang Zhonghui, the remaining subsidiaries were acquired from independent third parties.

The principal activities of acquired subsidiaries are engaged in provision of property management services and the objectives of acquisition are expansion of property management services of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Consideration transferred

	2018 RMB'000	2017 RMB'000
Cash consideration paid in current year	**130**	140,860
Deposit paid in prior years	**51,747**	102,412
Consideration payable due within one year included in other payables	**–**	2,860
	51,877	246,132

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

Assets accrued and liabilities recognised at the dates of acquisition are as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**2,100**	379
Interest in an associate	**–**	453
Interest in a joint venture	**–**	207
Intangible assets	**8,920**	59,445
Deferred tax assets	**–**	2,050
Trade receivables	**35,244**	10,297
Other receivables and prepayments	**10,626**	22,777
Amounts due from certain subsidiaries of the Company	**–**	32,806
Amounts due from non-controlling shareholders of the subsidiaries	**–**	39,212
Payments on behalf of residents	**14,488**	36,073
Bank balances and cash	**8,474**	64,985
Trade payables	**(25,487)**	(8,629)
Other payables and accruals	**(20,394)**	(39,632)
Contract liabilities	**(12,380)**	–
Receipts on behalf of residents	**(7,314)**	(63,367)
Amounts due to certain subsidiaries of the Company	**(1,760)**	(60,734)
Amounts due to non-controlling shareholders of the subsidiaries	**(4,243)**	(4,872)
Amount due to an associate	**–**	(14)
Amount due to a joint venture	**–**	(372)
Tax liabilities	**(756)**	(855)
Deferred tax liabilities	**(2,230)**	(14,861)
	5,288	75,348

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For the year ended 31 December 2018

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Consideration transferred *(Continued)*

The trade receivables, other receivables and prepayments (including amounts due from certain subsidiaries of the Company and non-controlling shareholders of the subsidiaries) and payments on behalf of residents acquired with a fair value of RMB60,358,000 (2017: RMB141,165,000) as at the date of acquisitions during the year ended 31 December 2018, are approximate to gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	2018	2017
	RMB'000	RMB'000
Consideration transferred	**51,877**	246,132
Add: non-controlling interests	**207**	16,631
Less: fair value of net identifiable assets acquired	**(5,288)**	(75,348)
Goodwill arising on acquisitions	**46,796**	187,415

The non-controlling interests arising from the acquisition of non-wholly owned subsidiaries were measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets amounting to RMB207,000 (2017: RMB16,631,000) at the acquisition date during the year ended 31 December 2018.

Goodwill was arisen on the acquisitions of subsidiaries during the years ended 31 December 2018 and 2017, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

Intangible assets of RMB8,920,000 (2017: RMB59,445,000) in relation to the acquisition of subsidiaries under property management services have been recognised by the Group.

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

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Net cash outflows arising on acquisitions

	2018 RMB'000	2017 RMB'000
Cash consideration paid in current year	**(130)**	(140,860)
Bank balances and cash acquired	**8,474**	64,985
	8,344	(75,875)

43. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

For the year ended 31 December 2018

In December 2018, the Group disposed of its entire equity interests in Foshan Colour Life Property Management Co., Ltd. (佛山市彩生活物業管理有限公司) ("Foshan Colour Life") to an independent third party for a consideration of RMB60,000,000. Foshan Colour Life is engaged in provision of property management services in the PRC.

In December 2018, the Group disposed of its entire equity interests in Heyuan Colour Life Property Management Co., Ltd. (河源彩生活物業管理有限公司) ("Heyuan Colour Life") to an independent third party for a consideration of RMB22,000,000. Heyuan Colour Life is engaged in provision of property management services in the PRC.

In December 2018, the Group disposed of its entire equity interests in Changsha Xiangwang Property Management Co., Ltd. (長沙祥旺物業管理有限公司) ("Changsha Xiangwang") to an independent third party for a consideration of RMB500,000. Changsha Xiangwang is engaged in provision of property management services in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of subsidiaries *(Continued)*

For the year ended 31 December 2017

In March 2017, the Group disposed of its entire equity interests in Shenzhen Huigang Property Management Co., Ltd. (深圳市匯港物業管理有限責任公司) ("Shenzhen Huigang") to an independent third party for a consideration of RMB5,500,000. Shenzhen Huigang is engaged in provision of property management services in the PRC.

The above transactions are accounted for as disposal of subsidiaries. Details of the net assets disposed in respect of the above transactions are summarised below:

	2018	2017
	RMB'000	RMB'000
Consideration satisfied by:		
Cash	**50,500**	5,500
Consideration receivables	**32,000**	–
	82,500	5,500

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of subsidiaries *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Analysis of assets and liabilities over which control was lost:		
Property, plant and equipment	**–**	37
Investment properties	**–**	3,593
Goodwill	**6,831**	2,644
Trade receivables	**979**	2,706
Other receivables and prepayments	**3,347**	1,285
Payments on behalf of residents	**12,616**	–
Tax recoverable	**–**	161
Amounts due from certain subsidiaries of the Company	**18,756**	6,872
Bank balances and cash	**2,961**	232
Trade payables	**(605)**	(2,759)
Other payables and accruals	**(2,464)**	(1,146)
Receipts on behalf of residents	**(16,656)**	(792)
Amounts due to certain subsidiaries of the Company	**(1,332)**	(5,334)
Amount due to a non-controlling shareholder	**–**	(445)
Tax liabilities	**(1,492)**	–
Deferred tax liabilities	**–**	(546)
Net assets disposed of	**22,941**	6,508
Gain on disposal of subsidiaries:		
Consideration	**82,500**	5,500
Add: non-controlling interests	**–**	1,376
Less: net assets disposed of	**(22,941)**	(6,508)
	59,559	368
Net cash inflow arising on disposal:		
Cash consideration received	**50,500**	5,500
Bank balances and cash disposed of	**(2,961)**	(232)
	47,539	5,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of partial interests in subsidiaries resulting in loss of control

For the year ended 31 December 2017

(i) During the year ended 31 December 2017, the Group disposed of its 80% equity interest in Xuzhou Binhu Garden Property Management Co., Ltd. (徐州市濱湖花園物業管理有限公司) ("Xuzhou Binhu") to an independent third party for a consideration of RMB3,680,000, resulting in loss of control upon completion of the transaction. The remaining 10% equity interest in Xuzhou Binhu is classified as interests in associates of the Group, as the Group can exercise significant influence over the relevant activities of Xuzhou Binhu. Xuzhou Binhu is engaged in provision of property management services in the PRC.

(ii) During the year ended 31 December 2017, the Group disposed of its 55.1% of equity interest in Xi'an Rongxin Property Management Co., Ltd. (西安榮鑫物業管理有限公司) ("Xi'an Rongxin") to Ms. Cui Ronghua (崔榮華), a non-controlling shareholder of a subsidiary and an independent third party, for the consideration of RMB10,389,000 and RMB10,000,000, respectively, resulting in loss of control upon completion of the transaction. The remaining 4.9% equity interest in Xi'an Rongxin is classified as AFS investments of the Group. Xi'an Rongxin is engaged in provision of property management services in the PRC.

(iii) During the year ended 31 December 2017, an independent third party contributed RMB10,000,000 to Shenzhen Yixuan. After the capital injection, the equity interests, profit sharing and voting rights held by the Group was diluted from 51% to 46% and is classified as interests in joint ventures of the Group (note 19(a)). Shenzhen Yixuan is engaged in provision of equipment leasing service in the PRC.

The above transactions were accounted for as disposal of partial interests in subsidiaries resulting in loss of control. Details of the net assets disposed of in respect of the above transactions are summarised below:

	RMB'000
Consideration satisfied by:	
Cash	15,069
Cash capital injection received	10,000
Consideration receivables due within one year	9,000
	34,069

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of partial interests in subsidiaries resulting in loss of control *(Continued)*

For the year ended 31 December 2017 (Continued)

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	62,663
Goodwill	16,911
Trade receivables	14,200
Other receivables and prepayments	4,351
Payments on behalf of residents	19,721
Amounts due from certain subsidiaries of the Company	34,596
Bank balances and cash	13,742
Trade payables	(38,681)
Other payables and accruals	(4,580)
Receipts on behalf of residents	(54,356)
Amounts due to non-controlling shareholders	(7,474)
Amounts due to certain subsidiaries of the Company	(14,577)
Amounts due to certain fellow subsidiaries of the Company	(8,213)
Tax liabilities	(3,558)
Net assets disposed of	34,745
Gain on disposal of partial interests in subsidiaries resulting in loss of control:	
Total consideration and capital injection	34,069
Non-controlling interests	3,720
Fair value of retained equity interests in	
– Xuzhou Binhu classified as interests in associates	460
– Xi'an Rongxin classified as AFS investments	1,813
– Shenzhen Yixuan classified as interests in joint ventures (note)	42,600
Less: net assets disposed of	(34,745)
	47,917
Net cash inflow arising on disposal:	
Cash consideration received	25,069
Bank balances and cash disposed of	(13,742)
	11,327

Note: The fair value of retained equity interests in Shenzhen Yixuan is estimated by an independent valuer through application of income approach and the key inputs of the valuation are the expected future cash inflows/outflows of Shenzhen Yixuan, the growth rates and the discount rates.

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44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Borrowings	Corporate bonds	Assets backed securities issued	Amounts due to fellow subsidiaries (non-trade nature)	Amounts due to non-controlling shareholders of the subsidiaries (non-trade nature)	Amounts due to associates (non-trade nature)	Amounts due to joint ventures (non-trade nature)	Amounts due to related parties (non-trade nature)	Dividend payables	Total
	(note 34)	(note 35)	(note 36)	(note 50(b))	(note 50(b))	(note 50(b))	(note 50(b))			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	660,294	402,585	275,084	16,190	32,886	7,564	326	–	–	1,394,929
Financing cash flow	28,886	116,804	(66,679)	(4,398)	(13,367)	5,935	6,455	–	(86,718)	(13,082)
Finance costs incurred	35,420	33,213	19,332	2,271	–	–	–	–	–	90,236
Acquisition of subsidiaries	–	–	–	–	4,872	14	372	–	–	5,258
Disposal of subsidiaries	–	–	–	(8,213)	(7,919)	–	–	–	–	(16,132)
Dividend declared	–	–	–	–	–	–	–	–	86,718	86,718
At 31 December 2017	724,600	552,602	227,737	5,850	16,472	13,513	7,153	–	–	1,547,927
Merger accounting restatement (note 2)	1,344,600	–	–	–	–	–	–	–	–	1,344,600
At 1 January 2018 (adjusted)	2,069,200	552,602	227,737	5,850	16,472	13,513	7,153	–	–	2,892,527
Financing cash flows	732,046	(278,200)	10,599	(569,158)	17,846	6,458	(6,786)	11,769	(188,895)	(264,321)
Finance costs incurred	238,383	37,959	22,083	647	–	–	–	–	–	299,072
Foreign exchange translation	44,127	–	–	–	–	–	–	–	–	44,127
Acquisition of subsidiaries	–	–	–	–	4,243	–	–	–	–	4,243
Business combination under common control	–	–	–	1,014,174	–	–	–	–	–	1,014,174
Dividend declared	–	–	–	–	–	–	–	–	188,895	188,895
Loss on redemption/modification of corporate bonds	–	3,140	–	–	–	–	–	–	–	3,140
At 31 December 2018	**3,083,756**	**315,501**	**260,419**	**451,513**	**38,561**	**19,971**	**367**	**11,769**	**–**	**4,181,857**

45. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2018 and 2017, pursuant to the agreements entered into with the Group's certain fellow subsidiaries and independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group.

The carrying amounts of trade receivables which were settled by transfer of investment properties to the Group during the reporting period are as follows:

	2018 **RMB'000**	2017 RMB'000
Trade receivables due from:		
Fellow subsidiaries	**–**	6,417
Independent third party customers	**60,271**	3,336
	60,271	9,753

46. OPERATING LEASES

The Group as lessee

	2018 **RMB'000**	2017 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**4,160**	49,433

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:

	2018 **RMB'000** **(note)**	2017 RMB'000
Within one year	**3,190**	43,221
Between one and five years	**8,493**	169,698
Over five years	**11,541**	375,614
	23,224	588,533

Note: During the year ended 31 December 2018, the Group entered into a cooperative agreement with three independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture.

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are negotiated and rentals are fixed for terms of one to fifteen years.

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46. OPERATING LEASES *(Continued)*

The Group as lessor

During the years ended 31 December 2018 and 2017, the Group had entered into contracts with residential communities to rent out the automation equipment to the residential communities managed by the Group in order to facilitate the automation equipment upgrade services provided to these residential communities. The relevant income is recognised as revenue from engineering services. For the automation equipment rented out, the committed lease terms are five years.

During the year ended 31 December 2017, the Group bulk leased certain office premises and commercial properties from certain independent property developers and then sub-leased to various leases with committed tenants from five to fifteen years.

During the year ended 31 December 2018, the Group's interests in sub-leasing agreements with tenants were transferred to a joint venture.

During the years ended 31 December 2018 and 2017, the Group also rented out its investment properties and have committed tenants from one to six years.

Rental income from automation equipment and sub-leasing earned during the year ended 31 December 2018 was recognised as revenue of RMB48,268,000 (2017: RMB86,408,000).

Rental income from investment properties during the year ended 31 December 2018 was recognised as other income of RMB289,000 (2017: RMB612,000).

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

	2018	2017
	RMB'000	RMB'000
Within one year	**38,489**	99,038
Between one and five years	**42,563**	266,398
Over five years	**839**	138,357
	81,891	503,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

47. CAPITAL AND OTHER COMMITMENTS

	2018 **RMB'000**	2017 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**61,106**	2,120
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**29,203**	23,066

48. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised to the consolidated statement of profit or loss and other comprehensive income of RMB133,449,000 (2017: RMB49,322,000) respectively, represented contributions to the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
			2018	2017	**2018**	2017	
		RMB'000	%	%	%	%	
Directly held:							
Tong Yuan Holdings Limited	BVI	828,880	**100%**	100%	**100%**	100%	Investment holding
Indirectly held:							
Shenzhen Colour Life	PRC	100,000	**100%**	100%	**100%**	100%	Investment holding
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	90,000	**100%**	100%	**100%**	100%	Provision of value-added services
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	5,000	**100%**	100%	**100%**	100%	Provision of engineering services
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	35,000	**100%**	100%	**100%**	100%	Provision of property management services
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	PRC	50,000 (2017: 11,000)	**100%**	100%	**100%**	100%	Provision of property management services
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd. ("Chongqing Hongshan")	PRC	10,000	**87%**	87%	**87%**	87%	Provision of property management services
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	10,000	**100%**	100%	**100%**	100%	Provision of property management services
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua")	PRC	1,000	**51%**	51%	**51%**	51%	Provision of engineering services
Shanghai Tonglai	PRC	5,000	**100%**	100%	**100%**	100%	Provision of property management services
Hangzhou Zhuosheng ^	PRC	5,000	**80%**	–	**80%**	–	Provision of property management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) Material subsidiaries of the Company *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
			2018	2017	**2018**	2017	
		RMB'000	**%**	%	**%**	%	
Shenzhen Wanxiang Δ	PRC	982,000	**100%**	–	**100%**	–	Investment holding
Wanxiangmei Δ	PRC	50,000	**100%**	–	**100%**	–	Provision of property management services

^ These subsidiaries were acquired during the year ended 31 December 2018. Details are set out in note 42.

Δ These subsidiaries were acquired under common control during the year ended 31 December 2018. Details are set out in note 2.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Places of incorporation/ registration operation	Number of subsidiaries	
		2018	2017
Investment holding	Cayman Islands	**2**	2
	BVI	**5**	5
	Hong Kong	**3**	3
	PRC	**4**	4
Provision of property management services	PRC	**120**	107
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of value-added services	PRC	**41**	13
Provision of engineering services	PRC	**2**	1
		179	137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

The table below show details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 & 2017	**2018**	2017	**2018**	2017
		%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shenzhen Ancaihua	PRC	49	**16,704**	14,842	**30,432**	21,977
Chongqing Hongshan	PRC	13	**1,313**	1,790	**6,233**	5,304
Individually immaterial subsidiaries with non-controlling interests			**14,989**	13,360	**84,006**	78,664
Total			**33,006**	29,992	**120,671**	105,945

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represented amounts before intergroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Shenzhen Ancaihua

	2018 RMB'000	2017 RMB'000
Current assets	**94,519**	89,450
Non-current assets	**33,299**	10,984
Current liabilities	**62,593**	52,626
Non-current liabilities	**3,118**	2,957
Equity attributable to owner of the company	**31,675**	22,874
Non-controlling interests	**30,432**	21,977
Revenue	**67,282**	54,328
Expenses	**(33,192)**	(24,038)
Profit for the year	**34,090**	30,290
Profit for the year attributable to owners of the Company	**17,386**	15,448
Profit for the year attributable to the non-controlling interests	**16,704**	14,842
Dividends paid to owners of the Company	**8,585**	4,449
Dividends paid to the non-controlling shareholder	**8,249**	4,351
Net cash inflow from operating activities	**48,108**	9,261
Net cash outflow from financing activities	**(14,279)**	(5,988)
Net cash inflow	**33,829**	3,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

Chongqing Hongshan

	2018 RMB'000	2017 RMB'000
Current assets	**100,740**	113,286
Non-current assets	**54**	42
Current liabilities	**52,848**	72,528
Equity attributable to owners of the company	**41,713**	35,496
Non-controlling interests	**6,233**	5,304
Revenue	**95,568**	93,980
Expenses	**(85,471)**	(80,214)
Profit for the year	**10,097**	13,766
Profit for the year attributable to owners of the Company	**8,784**	11,976
Profit for the year attributable to the non-controlling interests	**1,313**	1,790
Dividends paid to owners of the Company	**2,567**	–
Dividends paid to the non-controlling shareholders	**384**	–
Net cash inflow from operating activities	**2,114**	3,196

50. RELATED PARTY DISCLOSURES

(a) Related parties transactions

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

	2018 RMB'000	2017 RMB'000
Pre-delivery services income		
Fellow subsidiaries	**6,214**	879
Consultancy services income		
Wanxiangmei, a former joint venture of Fantasia Holdings and acquired by the Group under common control	**–**	46,110
Related parties	**4,247**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(a) Related parties transactions *(Continued)*

	2018 RMB'000	2017 RMB'000
Online promotion services income		
An entity controlled by Mr. Pan Jun, a director of the Company	**38,371**	17,984
Shenzhen Yixuan, a joint venture of the Group	**11,774**	4,000
A fellow subsidiary	**–**	18,008
An entity controlled by Mr. Pan Jun, a director of the Company	**2,038**	2,997
An associate	**237**	129
Other value-added service fees		
Fellow subsidiaries	**279**	619
Equipment installation services income		
Fellow subsidiaries	**11,540**	5,670
Associates	**231**	469
A related party	**–**	971
Energy-saving service fees		
An associate	**–**	8,484
An entity controlled by Mr. Pan Jun, a director of the Company	**–**	4,646
Interest expenses		
A fellow subsidiary	**647**	2,271
Interest income		
Mr. Tang Xuebin, a director of the Company	**11**	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

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

	2018 RMB'000	2017 RMB'000 (restated)
Amounts due from fellow subsidiaries		
Non-trade nature	**150,118**	387,965
Trade nature	**22,181**	59,036
	172,299	447,001

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

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

	2018 RMB'000	2017 RMB'000
0 to 30 days	**2,012**	5,352
31 to 90 days	**2,559**	12,135
91 to 180 days	**4,412**	11,744
181 to 365 days	**8,825**	23,488
Over 1 year	**4,373**	6,317
	22,181	59,036

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB17,610,000 which are past due 90 days or more and not considered as in default.

At 31 December 2017, included in the Group's trade amounts due from fellow subsidiaries were debtors with aggregate carrying amount of RMB41,549,000, which were past due as at the end of the reporting period for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

Aging of past due but not impaired trade amounts due from fellow subsidiaries

	2018 **RMB'000**	2017 RMB'000
91 to 180 days	**4,412**	11,744
181 to 365 days	**8,825**	23,488
Over 1 year	**4,373**	6,317
	17,610	41,549

	2018 **RMB'000**	2017 RMB'000
Amounts due from non-controlling shareholders of the subsidiaries		
Non-trade nature	**119,230**	113,153
Amounts due from associates		
Non-trade nature	**15,905**	27,567
Amounts due from joint ventures		
Non-trade nature		
– Non-current	**81,505**	–
– Current	**24,447**	5,292
	105,952	5,292

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Amounts due from related parties		
Non-trade nature	**15,072**	10,002
Trade nature	**1,000**	5,475
	16,072	15,477

For the trade balance due from a related party, which is a joint venture of Fantasia Holdings, one year credit term is granted from issuance of invoices. The following is an aging analysis of trade balance due from a related party presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

	2018 **RMB'000**	2017 RMB'000
0 to 30 days	**1,000**	–
91 to 180 days	**–**	5,475
	1,000	5,475

	2018 **RMB'000**	2017 RMB'000
Amount due from a director		
Non-trade nature		
– Non-current	**–**	323
– Current	**–**	60
	–	383

The amount due from Mr. Tang Xuebin, a director of the Company of RMB383,000 as at 31 December 2017 represented housing loan granted by the Group for his purchases of own properties. The balance bears interest of 5.4% per annum. The loan has been fully settled during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

Except for the above amount due from a director, the remaining balances with fellow subsidiaries, non-controlling shareholders of the subsidiaries, an associate and related parties are unsecured and repayable on demand.

Details of impairment assessment of amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, an associate, related parties and a director for the year ended 31 December 2018 are set out in note 41(b).

	2018 RMB'000	2017 RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**451,513**	5,850
Trade nature	**8,075**	9,161
	459,588	15,011

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

Included in the non-trade balances due to fellow subsidiaries, the amount of RMB2,864,000 (2017: RMB3,855,000) represented the loans granted to the Group by Shenzhen Qianhai Fantasia Financial Co., Ltd. (深圳市前海花樣年金融服務有限公司) ("Shenzhen Qianhai"), a fellow subsidiary of the Group to purchase its equipment. The loans bears interest of 16.53% per annum and matures from 15 October 2016 to 15 September 2021. The loans are guaranteed by a subsidiary of the Group. Based on the terms of the agreement, the amount of RMB1,582,000 (2017: RMB1,584,000) due in one year is classified as current liability and the amount of RMB1,282,000 (2017: RMB2,271,000) due after one year is classified as non-current liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Amounts due to fellow subsidiaries		
Non-current	**1,282**	2,271
Current	**458,306**	12,740
	459,588	15,011
Amounts due to non-controlling shareholders of the subsidiaries		
Non-trade nature	**38,561**	16,472
Amounts due to associates		
Non-trade nature	**19,971**	13,513
Amounts due to joint ventures		
Non-trade nature	**367**	7,153

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
	RMB'000	RMB'000
Short-term employee benefits	**12,857**	11,997
Post-employment benefits	**458**	493
Share-based payment expenses	**2,180**	5,557
	15,495	18,047

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

(d) Others

As at year end 31 December 2018, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB191,033,000 (2017: RMB148,021,000) in aggregate.

51. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Pledged bank deposits (note 31)	**346,000**	377,175
Trade receivables	**27,447**	15,872
	373,447	393,047

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2018 RMB'000	2017 RMB'000
Non-Current Assets		
Investments in subsidiaries	**226,833**	194,171
Amounts due from subsidiaries	**2,097,568**	334,934
	2,324,401	529,105
Current Assets		
Other receivables and prepayments	**2,343**	3,019
Amount due from a related party	**1**	1
Bank balances and cash	**37,649**	4,462
	39,993	7,482
Current Liabilities		
Other payables	**16,113**	663
Amounts due to subsidiaries	**2,753**	12,154
Amounts due to fellow subsidiaries	**–**	41
Borrowings due within one year	**–**	21,633
	18,866	34,491
Net Current Liabilities	**21,127**	(27,009)
Total Assets Less Current Liabilities	**2,345,528**	502,096
Non-current Liability		
Borrowing due after one year	**644,523**	–
Net Assets	**1,701,005**	502,096
Capital and Reserves		
Share capital	**106,800**	78,945
Reserves	**1,594,205**	423,151
Total equity	**1,701,005**	502,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

53. FINANCIAL SUMMARY OF THE COMPANY

Movements in reserves

	Share premium RMB'000	Shares held for share award scheme RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	519,820	(9,010)	197,155	(185,681)	522,284
Loss and total comprehensive expense for the year	–	–	–	(39,311)	(39,311)
Dividend paid to shareholders	(86,718)	–	–	–	(86,718)
Recognition of equity-settled share-based payment	–	–	45,303	–	45,303
Cancelled upon repurchase of shares	(18,407)	–	–	–	(18,407)
At 31 December 2017	414,695	(9,010)	242,458	(224,992)	423,151
Profit and total comprehensive income for the year	–	–	–	18,643	18,643
Issue of shares and cash consideration upon combination of entities under common control (note 2)	887,650	–	–	–	887,650
Issue of new shares	345,230	–	–	–	345,230
Issue of shares upon exercise of share options	107,787	–	(33,131)	–	74,656
Dividend paid to shareholders	(166,237)	–	–	–	(166,237)
Shares repurchased for share award scheme	–	(5,585)	–	–	(5,585)
Recognition of equity-settled share-based payment	–	9,010	10,788	(3,101)	16,697
At 31 December 2018	**1,589,125**	**(5,585)**	**220,115**	**(209,450)**	**1,594,205**

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