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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

June 17, 2014

The Directors
Colour Life Services Group Co., Limited
Merrill Lynch Far East Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Colour Life Services Group Co., Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2013 (the “Track Record Period”) for inclusion in the prospectus of the Company dated June 17, 2014 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Cayman Islands Companies Law on March 16, 2011. The Company is an investment holding company and has not carried on any business except for equity transactions and preparation for initial listing of shares of the Company since its incorporation. Through a reorganization (the “Reorganization”) as more fully explained in the section “History, Reorganization and the Group Structure” of the Prospectus, the Company became the holding company of the Group on July 25, 2011.

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

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
<i>Directly held:</i>									
Ace Link Pacific Limited ("Ace Link")	British Virgin Islands (the "BVI")	September 3, 2007	US\$100	100.0	100.0	— (Note 1)	—	Investment holding	Private limited company
Tong Yuan Holdings Limited ("Tong Yuan")	BVI	December 3, 2012	US\$100	—	—	100.0 (Note 9)	100.0	Investment holding	Private limited company
Colour Cloud Holdings Group Co., Limited ("Colour Cloud Holdings")	Cayman Islands (the "Cayman")	June 8, 2012	US\$50,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Treasure Holdings Group Co., Limited ("Colour Pay Treasure")	Cayman	June 8, 2012	US\$50,000	—	100.0	100.0	100.0	Investment holding	Private limited company

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
<i>Indirectly held:</i>									
深圳市彩生活服务集团有限公司 Shenzhen Colour Life Services Group Company Limited* ("Shenzhen Colour Life")	The People's Republic of China (the "PRC")	August 25, 2006	RMB15,000,000	100.0	100.0	100.0	100.0	Investment holding	Limited liability company
深圳市彩生活网络服务有限公司 Shenzhen Colour Life Network Service Co., Ltd.* ("Shenzhen Colour Life Network Service")	PRC	June 12, 2007	RMB10,000,000	100.0	100.0	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
Colour Life Service Group (HK) Co., Limited ("Colour Life Service Group (HK)")	Hong Kong	November 8, 2007	HK\$10,000	100.0	100.0	— (Note 1)	—	Investment holding	Private limited company
雅浩科技发展(深圳)有限公司 Yahao Technology Development (Shenzhen) Co., Ltd.* ("Yahao Technology")	PRC	April 23, 2007	HK\$1,000,000	100.0	100.0	— (Note 1)	—	Investment holding	Limited liability company
深圳市星彥行置业有限公司 Shenzhen Xingyanhang Real Estate Co., Ltd.* ("Shenzhen Xingyanhang Real Estate")	PRC	April 23, 2007	RMB4,000,000	92.7	92.7	92.7	92.7	Provision of community leasing, sales and other services	Limited liability company
深圳市匯港物業管理有限公司 Shenzhen Huigang Property Management Co., Ltd. ("Shenzhen Huigang Property Management")	PRC	April 12, 2002	RMB3,000,000	75.0	75.0	75.0	75.0	Provision of property management services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.* ("Shenzhen Kaiyuan Tongji")	PRC	November 15, 2001	RMB5,000,000	100.0	100.0	100.0	100.0	Provision of engineering services	Limited liability company
深圳市彩悅酒店有限公司 Shenzhen Caiyue Hotel Company Limited* ("Shenzhen Caiyue Hotel")	PRC	January 15, 2009	RMB100,000	100.0	100.0	— (Note 2)	—	Provision of hotel services	Limited liability company
深圳市彩悅酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited* ("Shenzhen Caiyue Hotel Management")	PRC	August 20, 2008	RMB100,000	100.0	100.0	— (Note 3)	—	Investment holding	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited* ("Shenzhen Hongwei Decoration")	PRC	May 25, 1994	RMB10,000,000	— (Note 4)	—	—	—	Provision of interior design service	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited* ("Shenzhen Kangnian Technology")	PRC	February 9, 2007	RMB100,000,000	— (Note 4)	—	—	—	Property development and investment	Limited liability company
Hong Kong Kangnian Trading Co., Ltd ("Hong Kong Kangnian Trading")	Hong Kong	September 24, 2009	USD500,000	— (Note 4)	—	—	—	Trading and Investment Holding	Private limited company

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				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
深圳市匯恒置業有限公司 Shenzhen Huiheng Real Estate Company Limited* ("Shenzhen Huiheng Real Estate")	PRC	April 26, 2006	RMB150,000,000	— (Note 4)	—	—	—	Property development	Limited liability company
寧夏回族自治區新墾基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited* ("Ningxia Hui Construction")	PRC	July 22, 2009	RMB50,000,000	— (Note 5)	—	—	—	Provision of construction services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.* ("Shenzhen Colour Life Property Management")	PRC	December 11, 2000	RMB35,000,000	100.0	100.0	100.0	100.0	Provision of property management services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Co., Ltd.* ("Shenzhen Liantang Property Management")	PRC	November 16, 1999	RMB3,000,000	— (Note 6)	—	—	—	Provision of property management services	Limited liability company
惠州市友鄰物業管理有限公司 Huizhou Youlin Property Management Co., Ltd.* ("Huizhou Youlin Property Management")	PRC	June 13, 2008	RMB500,000	100.0 (Note 7)	100.0	100.0	100.0	Provision of property management services	Limited liability company
深圳市羅伯特管家物業管理有限公司 Shenzhen Robert Housekeeper Properties Management Co., Ltd.* ("Shenzhen Robert Housekeeper")	PRC	April 9, 2002	RMB1,000,000	51.0 (Note 7)	— (Note 10)	— (Note 10)	—	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd.* ("Shenzhen Ancaihua Energy Investment")	PRC	November 29, 2011	RMB100,000	51.0	51.0	51.0	51.0	Provision of engineering services	Limited liability company
鐵嶺正南物業管理有限公司 Tieling Zhengnan Property Management Co., Ltd.* ("Tieling Zhengnan Property Management")	PRC	March 18, 2008	RMB500,000	—	51.0 (Note 8)	51.0	51.0	Provision of property management services	Limited liability company
陝西蓮塘物業服務有限公司 Shaanxi Liantang Property Service Co., Ltd.* ("Shanxi Liantang Property Service")	PRC	September 8, 2003	RMB3,000,000	—	100.0 (Note 8)	100.0	100.0	Provision of property management services	Limited liability company
河源市彩生活物業管理有限公司 Heyuan Colour Life Property Management Co., Ltd.* ("Heyuan Colour Life Property Management" (formerly known as 河源市華達物業管理有限公司 "Heyuan Huada Property Management Co., Ltd.")	PRC	June 12, 2002	RMB3,000,000	—	100.0 (Note 8)	100.0	100.0	Provision of property management services	Limited liability company
深圳市彩生活彩虹清潔服務有限公司 Shenzhen Colour Life Caihong Cleaning Services Co., Ltd.* ("Shenzhen Colour Life Qingjie Service")	PRC	June 17, 2011	RMB100,000	100.0	100.0	— (Note 11)	—	Provision of community leasing, sales and other services	Limited liability company
Colour Cloud Group Co., Limited ("Colour Cloud Group")	BVI	June 8, 2012	US\$1	—	100.0	100.0	100.0	Investment holding	Private limited company

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				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
Colour Cloud Group (HK) Co., Limited ("Colour Cloud HK")	Hong Kong	June 25, 2012	HK\$10,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Group Co., Limited ("Colour Pay Group")	BVI	June 14, 2012	US\$1	—	100.0	100.0	100.0	Investment holding	Private limited company
Colour Pay Group (HK) Co., Limited ("Colour Pay HK")	Hong Kong	June 25, 2012	HK\$10,000	—	100.0	100.0	100.0	Investment holding	Private limited company
Novel Era Holdings Limited ("Novel Era")	Hong Kong	November 16, 2012	HK\$10,000	—	—	100.0	100.0	Investment holding	Private limited company (Note 9)
深圳市彩生活社區科技服務有限公司 Shenzhen Colour Life Community Technology Services Co., Ltd.* ("Shenzhen Colour Life Community Technology")	PRC	March 11, 2013	HK\$1,000,000	—	—	100.0	100.0	Investment holding	Limited liability company
深圳市前海彩之雲網絡科技有限公司 Shenzhen Qianhai Caizhiyun Network Technology Co., Ltd.* ("Shenzhen Qianhai Caizhiyun")	PRC	April 22, 2013	RMB5,000,000	—	—	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
深圳市前海彩付寶網絡科技有限公司 Shenzhen Qianhai Caifubao Network Technology Co., Ltd.* (Shenzhen Qianhai Caifubao)	PRC	May 7, 2013	RMB5,000,000	—	—	100.0	100.0	Provision of community leasing, sales and other services	Limited liability company
秦皇島市宏添源物業服務有限公司 Qinhuangdao Hongtianyuan Property Service Co., Ltd.* ("Qinhuangdao Hongtianyuan Property Service")	PRC	October 26, 2005	RMB5,000,000	—	—	51.0	51.0	Provision of property management services	Limited liability company (Note 9)
南京名城物業管理有限公司 Nanjing Mingcheng Property Management Co., Ltd.* ("Nanjing Mingcheng Property Management")	PRC	May 30, 2002	RMB5,000,000	—	—	90.0	90.0	Provision of property management services	Limited liability company (Note 9)
陝西彩生活社區服務有限公司 Shaanxi Colour Life Community Service Co., Ltd.* ("Shaanxi Colour Life Community")	PRC	March 25, 2009	RMB3,000,000	—	—	51.0	51.0	Provision of property management services	Limited liability company (Note 9)
南京慧轄物業服務有限公司 Nanjing Huitao Property Management Company Limited ("Nanjing Huitao Property Management")	PRC	September 29, 2006	RMB5,000,000	—	—	90.0	90.0	Provision of property management service	Limited liability company (Note 9)
無錫市太湖花園物業管理有限責任公司 Wuxi Taihu Garden Property Management Co., Limited* ("Wuxi Taihu Property Management")	PRC	November 30, 2001	RMB3,000,000	—	—	80.0	80.0	Provision of property management services	Limited liability company (Note 9)
南京錦江物業管理有限公司 Nanjing Jingjiang Property Management Co., Limited* ("Nanjing Jingjiang Property Management")	PRC	June 26, 2001	RMB5,000,000	—	—	90.0	90.0	Provision of property management services	Limited liability company (Note 9)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities	Legal form
				At December 31,			At the date of this report		
				2011	2012	2013			
				%	%	%	%		
上海欣周物業管理有限公司 Shanghai Xinzhou Property Management Co., Limited* ("Shanghai Xinzhou Property Management")	PRC	September 21, 1999	RMB3,000,000	—	—	70.0	70.0	Provision of property management services	Limited liability company
						(Note 9)			
無錫市明珠園藝有限責任公司 Wuxi Pearl Garden Co., Limited* ("Wuxi Pearl Garden")	PRC	September 24, 1999	RMB500,000	—	—	90.0	90.0	Provision of property management services	Limited liability company
						(Note 9)			
上海欣周逸浦物業管理有限公司 Shanghai Xinzhou Yipu Property Management Co., Limited* ("Shanghai Xinzhou Yipu")	PRC	September 26, 2011	RMB500,000	—	—	100.0	100.0	Provision of property management services	Limited liability company
						(Note 9)			

* *The English name is for identification purpose only*

Notes:

- On April 30, 2013, the Company disposed of its 100% interest in Ace Link to Zhao Xing Holdings Limited ("Zhao Xing Holdings"), a fellow subsidiary of the Company. Upon completion of the disposal, Ace Link, and its subsidiaries Colour Life Service Group (HK) and Yahao Technology, became wholly owned subsidiaries of Zhao Xing Holdings and ceased to be subsidiaries of the Company. Details are set out in note 36(b).
- On January 11, 2013, the Group's interest in Shenzhen Caiyue Hotel was disposed to Liu Yunhai and Huang Wenhui, both are independent third parties, pursuant to a share transfer agreement entered into among the Group, Liu Yunhai and Huang Wenhui on December 31, 2012. Upon completion of the disposal, Liu Yunhai and Huang Wenhui each holds 50% equity interest in Shenzhen Caiyue Hotel, and Shenzhen Caiyue Hotel ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On March 13, 2013, the Group's interest in Shenzhen Caiyue Hotel Management was disposed to Liu Yunhai and Huang Wenhui, both are independent third parties, pursuant to a share transfer agreement entered into among the Group, Liu Yunhai and Huang Wenhui on March 4, 2012. Upon completion of the disposal, Liu Yunhai and Huang Wenhui each holds 50% equity interest in Shenzhen Caiyue Hotel Management, and Shenzhen Caiyue Hotel Management ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On March 14, 2011, the Group disposed of its entire 60% equity interest in Shenzhen Hongwei Decoration and its subsidiaries (including Shenzhen Kangnian Technology, Hong Kong Kangnian Trading and Shenzhen Huiheng Real Estate) to 深圳置富房地產開發有限公司 Shenzhen Zhifu Property Development Co., Ltd. ("Shenzhen Zhifu Property Development"), a fellow subsidiary of the Company. Details are set out in note 36(b).
- On March 8, 2011, the Group disposed of its 100% interest in Ningxia Hui Construction to Shenzhen Zhifu Property Development, a fellow subsidiary of the Company. Details are set out in note 36(b).
- On February 27, 2011, the Group disposed of its 100% interest in Shenzhen Liantang Property Management to 深圳市花樣年物業服務有限公司 Shenzhen Fantasia Property Service Co. Ltd. ("Shenzhen Fantasia Property Service"), a fellow subsidiary of the Company. Details are set out in note 36(b).
- These entities were acquired by the Group in 2011. Details are set out in note 36(a).
- These entities were acquired by the Group in 2012. Details are set out in note 36(a).
- These entities were acquired by the Group in 2013. Details are set out in note 36(a).
- During the year ended December 31, 2012, the Group lost the control over Shenzhen Robert Housekeeper which has no significant financial impact to the Group. On July 14, 2013, the Group disposed of its 51% interest in this entity to 深圳市景樂物業管理有限公司 Shenzhen Jingle Property Management Co., Limited ("Shenzhen Jingle"), an independent third party, for a consideration of RMB380,000 pursuant to a share transfer agreement between the Group and Shenzhen Jingle. Upon completion of the disposal, Shenzhen Robert Housekeeper legally ceased to be a subsidiary of the Company. Details are set out in note 36(b).
- On July 16, 2013, the Group disposed of its 100% interest in Shenzhen Colour Life Qingjie Service to 益陽朝陽彩虹清潔服務有限公司 Yiyang Chaoyang Caihong Cleaning Service Co., Ltd. ("Yiyang Chaoyang Caihong"), an independent third party, for a consideration of RMB1,250,000 pursuant to a share transfer agreement entered into between the Group and Yiyang Chaoyang Caihong. Upon completion of the disposal, Shenzhen Colour Life Qingjie Service ceased to be a subsidiary of the Company. Details are set out in note 36(b).

The financial year end of the Company and its subsidiaries is December 31.

No audited statutory financial statements have been prepared for the Company, Ace Link, Shenzhen Robert Housekeeper, Tong Yuan, Colour Cloud Holdings, Colour Cloud Group, Colour Pay Treasure and Colour Pay Group since their respective date of establishment/incorporation as there is no statutory audit requirement in the jurisdiction where they were incorporated or established.

No audited statutory financial statements has been prepared for Novel Era, which was incorporated on November 16, 2012 as it has not reached the statutory time limit imposed on the issuance of first set of audited financial statements since its respective date of incorporation.

We have acted as statutory auditor of Colour Life Service Group (HK) for each of the two years ended December 31, 2012. We have acted as statutory auditor of Colour Cloud HK and Colour Pay HK since their respective dates of incorporation to December 31, 2012. The statutory financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA. No audited financial statements have been prepared for Colour Cloud HK and Colour Pay HK during the year ended December 31, 2013 as they have not reached the statutory requirement for audited annual financial statements for the relevant year.

The statutory financial statements of entities established in the PRC for the Track Record Period or since respective date of establishment, where there is a shorter period were prepared in accordance with the relevant accounting policies and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

Name of company	Periods covered	Name of auditors
Shenzhen Colour Life	Each of the three years ended December 31, 2013	深圳中瑞華正會計師事務所
Shenzhen Colour Life Network Service	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Yahao Technology	Each of the two years ended December 31, 2012	深圳平海會計師事務所(普通合夥)
Heyuan Colour Life Property Management	Each of the two years ended December 31, 2013	河源市順源會計師事務所有限公司
Shenzhen Xingyanhang Real Estate	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Kaiyuan Tongji	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Caiyue Hotel	Each of the two years ended December 31, 2012	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Caiyue Hotel Management	Each of the two years ended December 31, 2012	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Property Management	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Huigang Property Management	Each of the three years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Huizhou Youlin Property Management	For the year ended December 31, 2011	惠州市民和會計師事務所

Name of company	Periods covered	Name of auditors
	Each of the two years ended December 31, 2013	惠州市金玉稅務師事務所有限公司
Shenzhen Ancaihua Energy Investment . . .	From date of establishment to December 31, 2012 and for the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Qingjie Service	From date of establishment to December 31, 2012 and for the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shaanxi Liantang Property Service	Each of the years ended December 31, 2013	西安康勝會計師事務所有限責任公司
Tieling Zhengnan Property Management . . .	Each of the years ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Nanjing Huitao Property Management	For the year ended December 31, 2013	江蘇咨華會計師事務所
Nanjing Jingjiang Property Management . . .	For the year ended December 31, 2013	江蘇咨華會計師事務所
Nanjing Mingcheng Property Management . .	For the year ended December 31, 2013	江蘇咨華會計師事務所
Qinhuangdao Hongtianyuan Property Service	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shaanxi Colour Life Community	For the year ended December 31, 2013	西安康勝會計師事務所有限責任公司
Shanghai Xinzhou Property Management . .	For the year ended December 31, 2013	深圳鵬盛會計師事務所
Shanghai Xinzhou Yipu	For the year ended December 31, 2013	深圳鵬盛會計師事務所
Wuxi Pearl Garden	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Wuxi Taihu Property Management	For the year ended December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Colour Life Community Technology	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Qianhai Caizhiyun	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)
Shenzhen Qianhai Caifubao	From the date of establishment to December 31, 2013	深圳星源會計師事務所(特殊普通合夥)

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group, which comprise the Company and its subsidiaries for the Track Record Period in accordance with the HKFRS issued by HKICPA (the "Underlying Financial Statements").

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

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 to Section A below. No adjustments were deemed necessary by us to adjust the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

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

In our opinion, on the basis of preparation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group, and of the Company as at December 31, 2011, December 31, 2012 and December 31, 2013 and of the consolidated profit and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
<u>Continuing operations</u>				
Revenue	8	146,503	196,507	233,069
Cost of sales and services		(77,319)	(102,342)	(89,422)
Gross profit		69,184	94,165	143,647
Other gains and losses	9	(4,152)	(2,312)	(10,122)
Other income	9	475	1,586	4,289
Selling and distribution expenses		(6,922)	(5,809)	(1,915)
Administrative expenses		(29,854)	(45,037)	(60,276)
Expenses recharged to residential communities under commission basis		9,947	18,460	17,348
Finance costs	10	(1,092)	(582)	(630)
Listing expenses		—	—	(22,854)
Changes in fair value of investment properties		1,087	(86)	230
Impairment loss recognized on goodwill	22	(870)	—	—
Share of results of an associate	20	360	303	175
Share of results of a joint venture	21	218	173	265
Gain on disposal of subsidiaries	36	—	—	778
Profit before tax		38,381	60,861	70,935
Income tax expense	11	(14,929)	(15,996)	(25,467)
Profit for the year	13	23,452	44,865	45,468

	Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
<u>Discontinued operations</u>				
Profit (loss) for the year from discontinued operations	37	(36,456)	(529)	—
Profit (loss) and total comprehensive income (expense) for the year		(13,004)	44,336	45,468
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company				
— from continuing operations		19,712	43,961	44,368
— from discontinued operations		(13,060)	(529)	—
		6,652	43,432	44,368
Non-controlling interests				
— from continuing operations		3,740	904	1,100
— from discontinued operations		(23,396)	—	—
		(19,656)	904	1,100
		(13,004)	44,336	45,468
Earnings per share — Basic				
From continuing and discontinued operations (RMB cents)	15	0.92	6.03	6.04
From continuing operations (RMB cents)	15	2.74	6.11	6.04
Earnings per share — Diluted				
For continuing and discontinued operations (RMB cents)	15	0.92	6.03	6.04
For continuing operations (RMB cents)	15	2.74	6.11	6.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			The Company		
		As at December 31,			As at December 31,		
		2011	2012	2013	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets							
Property, plant and equipment	16	6,292	10,357	23,513	—	—	—
Intangible assets	17	—	—	624	—	—	—
Investment properties	18	11,114	12,620	26,758	—	—	—
Interests in subsidiaries	19	—	—	—	1	623	623
Interest in an associate	20	953	932	1,107	—	—	—
Interest in a joint venture	21	285	303	568	—	—	—
Goodwill	22	4,558	14,114	50,537	—	—	—
Deposits paid for acquisition of subsidiaries	23	4,484	8,678	—	—	—	—
Trade receivables	26	7,092	9,416	7,585	—	—	—
Other receivables and prepayments	26	8,832	8,110	5,334	—	—	—
Deferred tax assets	24	1,875	2,001	3,848	—	—	—
		45,485	66,531	119,874	1	623	623
Current assets							
Inventories	25	—	1,274	200	—	—	—
Trade receivables	26	10,427	21,575	49,566	—	—	—
Other receivables and prepayments	26	19,936	28,772	43,339	—	—	7,426
Payments on behalf of residents	27	19,702	46,089	43,966	—	—	—
Amounts due from customers for contract works	28	38,510	45,749	43,892	—	—	—
Amount due from a subsidiary	42(b)	—	—	—	—	—	35,231
Amount due from immediate holding company	42(b)	—	—	1	—	—	1
Amounts due from fellow subsidiaries	42(b)	302,146	330,850	32,153	—	—	—
Amounts due from non-controlling shareholders	42(b)	—	675	13,063	—	—	—
Amount due from an associate	42(b)	26	—	—	—	—	1
Amount due from a related party	42(b)	—	46,250	1,303	—	—	—
Financial assets classified as fair value through profit or loss ("FVTPL")	29	—	42,200	—	—	—	—
Restricted bank deposits	30	—	997	997	—	—	—
Bank balances and cash	30	30,657	24,980	146,113	—	—	—
		421,404	589,411	374,593	—	—	42,659
Current liabilities							
Trade payables	31	16,036	21,444	20,851	—	—	—
Other payables and accruals	31	34,412	49,290	93,387	—	—	20,972
Receipts on behalf of residents	27	30,607	77,700	96,804	—	—	—
Amounts due to customers for contract works	28	2,002	616	2,784	—	—	—
Amounts due to fellow subsidiaries	42(b)	249,641	356,778	36,719	106	729	1,631
Amount due to immediate holding company	42(b)	3,091	3,283	1,428	—	—	—
Amounts due to non-controlling shareholders	42(b)	828	624	1,809	—	—	—
Amounts due to subsidiaries	42(b)	—	—	—	—	—	631
Amount due to an associate	42(b)	—	2,126	2,387	—	—	—
Amount due to a joint venture	42(b)	169	94	94	—	—	—
Borrowings due within one year	32	40,000	—	162	—	—	—
Tax liabilities		25,834	31,607	45,910	—	—	—
		402,620	543,562	302,335	106	729	23,234

	Notes	The Group			The Company		
		As at December 31,			As at December 31,		
		2011	2012	2013	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities associated with disposal group classified as held for sale	37	—	2,509	—	—	—	—
		402,620	546,071	302,335	106	729	23,234
Net current assets (liabilities)		18,784	43,340	72,258	(105)	(729)	19,425
Total assets less current liabilities		64,269	109,871	192,132	(104)	(106)	20,048
Non-current liabilities							
Deferred tax liabilities	24	556	338	509	—	—	—
Amount due to a non-controlling shareholder . .	42(b)	—	1,348	1,091	—	—	—
Borrowings due after one year	32	—	—	215	—	—	—
Redeemable shares	33	—	—	6,614	—	—	6,614
		556	1,686	8,429	—	—	6,614
Net assets (liabilities)		63,713	108,185	183,703	(104)	(106)	13,434
Capital and reserves							
Share capital	34	2	2	164	2	2	164
Reserves	35	62,647	106,246	178,761	(106)	(108)	13,270
Equity attributable to:							
Owners of the Company		62,649	106,248	178,925	(104)	(106)	13,434
Non-controlling interests		1,064	1,937	4,778	—	—	—
Total equity		63,713	108,185	183,703	(104)	(106)	13,434

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000		
At January 1, 2011	1	—	7,982	(13,425)	102,962	97,520	274,360	371,880
Profit and total comprehensive income for the year	—	—	—	—	6,652	6,652	(19,656)	(13,004)
Issuance of new shares	1	—	—	—	—	1	—	1
Acquisition of additional interest in a subsidiary (note b(i))	—	—	—	19,893	—	19,893	(19,893)	—
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	(260)	(260)
Disposal of subsidiaries (note 36(b))	—	—	—	(59,825)	—	(59,825)	(229,582)	(289,407)
Reorganization (note b(ii))	—	—	—	(1,666)	—	(1,666)	—	(1,666)
Transfer	—	—	5,439	—	(5,439)	—	—	—
Contribution by non-controlling interests	—	—	—	—	—	—	50	50
Recognition of equity-settled share-based payment (note 44)	—	—	—	74	—	74	—	74
Dividend paid	—	—	—	—	—	—	(3,955)	(3,955)
At December 31, 2011	2	—	13,421	(54,949)	104,175	62,649	1,064	63,713
Profit and total comprehensive income for the year	—	—	—	—	43,432	43,432	904	44,336
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	(31)	(31)
Recognition of equity-settled share-based payment (note 44)	—	—	—	167	—	167	—	167
Transfer	—	—	3,140	—	(3,140)	—	—	—
At December 31, 2012	2	—	16,561	(54,782)	144,467	106,248	1,937	108,185

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000		
Profit and total comprehensive income for the year	—	—	—	—	44,368	44,368	1,100	45,468
Capitalization issue (note 35)	156	(156)	—	—	—	—	—	—
Issue of new shares (note 35)	6	37,058	—	—	—	37,064	—	37,064
Acquisition of subsidiaries (note 36(a))	—	—	—	—	—	—	1,467	1,467
Disposal of subsidiaries (note 36(b))	—	—	—	(9,125)	—	(9,125)	274	(8,851)
Recognition of equity-settled share-based payment (note 44)	—	—	—	370	—	370	—	370
Transfer	—	—	4,057	—	(4,057)	—	—	—
At December 31, 2013	164	36,902	20,618	(63,537)	184,778	178,925	4,778	183,703

Notes:

- (a) The statutory reserve is non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the PRC in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on 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 and those transactions with Fantasia Holdings Group Co., Limited ("Fantasia Holdings") and its subsidiaries as disclosed in note 36(b) and below:
- (i) The amount of non-controlling interests being adjusted in respect of the acquisition of additional interests in Shenzhen Colour Life of 30.0% by transferring 3,000 shares of HK\$1 each of the Company by the immediate holding company to Splendid Fortune Limited, a shareholder of the Company during the year ended December 31, 2011.
- (ii) During the year ended December 31, 2011, the Group acquired the 41.65% equity interest in Shenzhen Xingyahang Real Estate from Fantasia Group (China) for a consideration of RMB1,666,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations and discontinued operations	949	60,624	70,935
Adjustments for:			
Allowance for doubtful debts/bad debt written off – net	4,163	2,394	7,410
Depreciation of property, plant and equipment	2,361	2,145	3,929
Amortization of intangible assets	—	—	1,189
Bank interest income	(333)	(749)	(554)
Interest income from advance from a customer	—	—	(222)
Imputed interest income on non-current interest-free trade receivables	(169)	(171)	(408)
Fair value adjustment on non-current interest-free deposit	—	—	666
Finance costs	14,927	582	630
Share-based payment expense	74	167	370
Share of results of a joint venture	(218)	(173)	(265)
Share of results of an associate	(360)	(303)	(175)
Loss on disposal of property, plant and equipment	20	—	1,846
Impairment loss recognized on goodwill	870	—	—
Gain on disposal of subsidiaries	—	—	(778)
Changes in fair value of investment properties	(839)	86	(230)
Changes in fair value of investment properties upon transfer from properties held for sale	(2,577)	—	—
Operating cash flows before movements in working capital .	18,868	64,602	84,343
(Increase) decrease in inventories	—	(1,274)	1,074
Increase in properties for sale	(53,396)	—	—
Decrease (increase) in trade and other receivables and prepayments	156,015	(19,298)	(40,821)
(Increase) decrease in payments/receipt on behalf of residents	(15,024)	20,706	15,381
(Increase) decrease in amounts due from/to customers for contract work	(3,402)	(8,625)	4,025
(Decrease) increase in trade and other payables	(37,875)	12,813	11,767
Decrease (increase) in amounts due from fellow subsidiaries	4,707	(1,975)	(17,737)
Cash generated from operations	69,893	66,949	58,032
Income taxes paid	(10,399)	(8,653)	(13,437)
NET CASH FROM OPERATING ACTIVITIES	59,494	58,296	44,595

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received	333	749	554
Dividend received from a joint venture	79	155	—
Dividend received from an associate	313	324	—
Increase in deposits paid for subsidiaries	(4,484)	(6,574)	—
Acquisitions of subsidiaries (notes 36(a))	77	(2,940)	(20,436)
Proceeds from disposal of subsidiaries (notes 36(b))	(231,633)	—	(1,138)
Purchase of property, plant and equipment	(2,485)	(6,168)	(17,180)
Proceeds of disposal of property, plant and equipment	68	—	380
Purchase of investment properties	(1,982)	(4,512)	—
Purchase of financial assets classified as FVTPL	—	(112,530)	(143,975)
Redemption of financial assets classified as FVTPL	—	70,330	186,675
Proceeds from disposal of investment properties	—	2,920	—
Increase in restricted bank deposits	—	(997)	—
Advance of loan receivables	—	(1,500)	(3,000)
Repayment of loan receivables	—	—	4,500
Advances to a customer	(5,752)	—	—
Repayment of advance to a customer	—	500	3,500
Advance to the immediate holding company	—	—	(1)
Repayments from fellow subsidiaries	14,640	77,700	333,317
Advances to fellow subsidiaries	(351,920)	(104,429)	(25,540)
Advances to an associate	(26)	(690)	—
Repayment from an associate	—	716	—
Repayment from a related party	95,226	—	46,389
Advance to a related party	—	(46,250)	(1,442)
Repayment from a non-controlling shareholder	—	—	1,725
Advances to non-controlling shareholders	—	(675)	(918)
Advances to directors	—	—	(2,000)
Repayment from directors	—	—	2,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(487,546)	(133,871)	363,410

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
Dividend paid	(3,955)	—	—
Interest paid	(14,927)	(582)	(193)
Payments for acquisitions of additional interest in a subsidiary	(1,666)	—	—
Issue of shares/redeemable shares	1	—	43,241
Repayments of bank borrowings	(100,000)	(40,000)	(70)
New bank borrowings raised	787,656	—	—
Capital contribution from non-controlling interests	50	—	—
Advances from fellow subsidiaries	1,226,549	209,635	28,540
Repayments to fellow subsidiaries	(27,527)	(102,633)	(357,724)
Advances from immediate holding company	3,000	283	—
Repayments to immediate holding company	(1,599,616)	—	(1,855)
Repayments to a joint venture	(80)	(75)	—
Advance from an associate	—	2,126	303
Repayment to an associate	—	—	(42)
Advance from non-controlling shareholders	828	1,449	2,520
Repayment to non-controlling shareholders	—	(305)	(1,592)
NET CASH FROM (USED IN) FINANCING ACTIVITIES ...	270,313	69,898	(286,872)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(157,739)	(5,677)	121,133
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	188,396	30,657	24,980
CASH AND CASH EQUIVALENTS AT END OF THE YEAR..	30,657	24,980	146,113
Represented by:			
Bank balances and cash	30,657	24,980	146,113

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 16, 2011. The addresses of the registered office and principal place of business of the Company are stated in the section "Corporate Information" of the Prospectus.

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

The principal activity of the Company is investment holding. Its subsidiaries established in the PRC are primarily engaged in the provision of property management services, the provision of engineering services and the provision of community leasing, sales and other services. In addition, provision of hotel services and property development and construction were discontinued upon disposal of subsidiaries in 2011. Details are set out in note 37.

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

2. REORGANIZATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Prior to the commencement of the Reorganization, Ace Link was the holding company of the Group. Throughout the Track Record Period (or since their respective date of incorporation/establishment, if shorter), the group entities were under the control of Fantasia Holdings. The Reorganization comprised of the following steps:

- (a) In March 2011, the Group disposed of its 60% interest in Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huihang Real Estate and Hong Kong Kangnian Trading and 100% interest in Ningxia Hui Construction to Shenzhen Zhifu Property Development, a fellow subsidiary of the Company, for consideration of RMB5,000,000 and RMB20,000,000 respectively.
- (b) On March 16, 2011, the Company was incorporated by Fantasia Holdings in the Cayman Islands as an exempted company. The authorized share capital of the Company is HK\$1,000 divided into 10,000 shares of HK\$0.1 each. Upon its incorporation, 10,000 shares were allotted, issued and credited as fully paid to Fantasia.
- (c) On July 25, 2011, the Company as purchaser, and Fantasia Holdings as seller, entered into a sale and purchase agreement whereby the Company acquired, and Fantasia Holdings sold, the entire issued share capital of Ace Link at a consideration of US\$100. Upon completion of the acquisition, the Company became the holding company of all the companies now comprising the Group.
- (d) On July 25, 2011, Mr. Tang Xuebin, Mr. Dong Dong and other members of the senior management of Shenzhen Colour Life (the "senior management of Shenzhen Colour Life"), disposed of their aggregate 30% equity interest in Shenzhen Colour Life to Yahao Technology for a consideration of RMB3,000,000. Upon completion of this transaction, Shenzhen Colour Life became a wholly owned subsidiary of the Company.

- On the same day, Splendid Fortune Enterprise Limited (“Splendid Fortune”), which is owned by the senior management of Shenzhen Colour Life, acquired 30% equity interest in the Company from Fantasia Holdings, the immediate holding company of the Company, for a consideration of RMB3,000,000. Upon completion of this transaction, Splendid Fortune became a non-controlling shareholder of the Company.
- (e) In November 2011, the Group acquired 41.65% equity interest in Shenzhen Xingyanhang Real Estate from Fantasia Group (China) of a consideration of RMB1,666,000. Fantasia Group (China) and the Company are under common control of Fantasia Holdings and the transaction did not change the effective interest of Shenzhen Xingyanhang Real Estate attributable to the Group.
 - (f) On December 31, 2012, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Liu Yunhai and Mr. Huang Wenhui, each an independent third-party, pursuant to which Mr. Liu Yunhai and Mr. Huang Wenhui each acquired from Shenzhen Colour Life 50% of the equity interest of Shenzhen Caiyue Hotel for the consideration of RMB1,000 and RMB1,000, respectively. Upon completion of such transfer on January 11, 2013, Mr. Liu Yunhai and Mr. Huang Wenhui hold 50% and 50% of the equity interest of Shenzhen Caiyue Hotel, respectively and Shenzhen Caiyue Hotel ceased to be a subsidiary of the Company.
 - (g) On January 7, 2013, the Group acquired Tong Yuan from an independent third party at a consideration of US\$100, and Tong Yuan became a directly wholly-owned subsidiary of the Company.
 - (h) On March 4, 2013, Shenzhen Colour Life entered into an equity transfer agreement with Mr. Liu Yunhai and Mr. Huang Wenhui, each an independent third-party, pursuant to which Mr. Liu Yunhai and Mr. Huang Wenhui each acquired from Shenzhen Colour Life 50% of the equity interest of Shenzhen Caiyue Hotel Management, for the consideration of RMB1,000 and RMB1,000, respectively. Upon completion of such transfer on March 13, 2013, Mr. Liu Yunhai and Mr. Huang Wenhui hold 50% and 50% of the equity interest of Shenzhen Caiyue Hotel Management, respectively and Shenzhen Caiyue Hotel Management ceased to be a subsidiary of the Company.
 - (i) On March 30, 2013, Shenzhen Colour Life Community Technology acquired from Yahoo Technology 100% equity interest in Shenzhen Colour Life for a consideration of RMB15,000,000. Upon completion of such transfer, Shenzhen Colour Life remained as an indirect wholly owned subsidiary of the Company.
 - (j) On April 30, 2013, the Company disposed of the entire issued share capital of Ace Link to Zhao Xing Holdings, a wholly owned subsidiary of Fantasia Holdings not forming part of the Group for a consideration of HK\$100. Upon completion of such disposal, Zhao Xing Holdings held the entire issued share capital of Ace Link, Ace Link and its subsidiaries, Colour Life Service Group (HK) and Yahoo Technology ceased to be subsidiaries of the Company.

Pursuant to the Reorganization, the Company became the holding company of all the companies now comprising the Group on July 25, 2011. Since Fantasia Holdings controlled all the companies now comprising the Group or since their respective dates of incorporation/establishment or acquisition up to the date of disposal before and after the Reorganization, the Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity. The Financial Information of the Group has

been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting of Common Control Combinations" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, where there is a shorter period except for the subsidiaries acquired by the Group and disposed by the Group during the Track Record Period as disclosed in note 36(a) and 36(b) respectively, which are included in the Financial Information since the date of acquisition or up to date of disposal by the Group.

The consolidated statements of financial position of the Group as of December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganization had been in existence as at those dates except for the subsidiaries acquired by the Group and disposed by the Group during the Track Record Period as disclosed in note 36(a) and 36(b) respectively, which are included in the Financial Information taking into account the respective dates of acquisition or of disposal by the Group.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group consistently adopted HKFRSs issued by the HKICPA that are effective for the Group's annual accounting period beginning on January 1, 2013 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretation which are not yet effective. The Group has not early applied these new standards, amendments and interpretation.

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010–2012 Cycle</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011–2013 Cycle</i> ²
HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁶
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable methods of Depreciation and Amortisation</i> ⁶
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ²
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC) - Int 21	<i>Levies</i> ¹

- ¹ Effective for annual periods beginning on or after January 1, 2014.
- ² Effective for annual periods beginning on or after July 1, 2014.
- ³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
- ⁴ Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.
- ⁵ Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.
- ⁶ Effective for annual periods beginning on or after January 1, 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 required all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

HKFRS 9 is available for application and the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finished.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have an impact on the amounts reported in respect of the Group's financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the

consolidated statements of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company 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.

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

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized 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 interests and (ii) the previous carrying amount of the assets (including any goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized 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 HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combination

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer'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 consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combination

Acquisitions of businesses 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 recognized in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively; 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 of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date 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 recognized 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. 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 or, when applicable, on the basis specified in another standards.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor in 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 venture. 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 an associate or a joint venture are incorporated in the Financial Information 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. Under the equity method, investment in an associate or a joint venture are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profits or loss and other comprehensive income of associate and joint venture. 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), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that 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 recognized 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, liabilities and contingent liabilities over the cost of investment, after reassessment, including bargain purchase gain, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, 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 to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Financial information only to the extent of interests in the associate or joint venture that are not related to the Group.

Sales of properties

Revenue from sales of properties in normal course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generated revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Investments in subsidiaries

Investments in subsidiaries is included in the Company's statements of financial position at cost less accumulated impairment losses.

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized 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.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (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 derecognized.

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 is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized 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.

Installation contracts

Where the outcome of the installation contract can be estimated reliably, revenue and costs are recognized 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 recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized 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 recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized 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 recognized profits less recognized 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 statements of financial position, as a liability, as advance received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (and disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property management fee, repair and maintenance service fee, community leasing, sales services fee, property agency fee and other services fee

Property management fee (including property management services under commission basis, lump sum basis and pre-sale services), repair and maintenance service fee, community leasing, sales services and property agency fee and other services fee are recognized when services are rendered.

Installation contract revenue

The Group's policy for recognition of revenue from installation contract is described in paragraph headed by "Installation contracts" above.

Sales of properties

Revenue from sales of properties in normal course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Interest income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph headed by "Leasing — The Group as lessor" above.

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

Foreign currencies

In preparing financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the 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 that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized 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 recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

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

Taxation

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which

those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 liabilities or deferred tax assets 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 liabilities and deferred tax assets 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).

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Net realizable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

Where properties for sale is transferred to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation, which is evidenced by the commencement of an operating lease to another party, any difference between the carrying amount and fair value of that item at the date of transfer is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Net realized value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are generally classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL represent those designated as at FVTPL on initial recognition. A financial asset 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 consolidated contract (asset or liability) to be designated as at FVTPL.

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

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 and other receivables, payments on behalf of residents, amounts due from a subsidiary, fellow subsidiaries, non-controlling shareholders, an associate and a related party, immediate holding company, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Impairment loss of loans and receivables

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

Objective evidence of impairment could include:

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized 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 recognized in profit or loss. When trade receivable or payment on behalf of residents considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized 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 recognized.

Financial liabilities and equity instruments

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

Equity Instrument

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

Other financial liabilities

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

Redeemable shares

A contract that contains an obligation for the Group to repurchase or redeem its own equity instruments for cash or another financial asset (i.e. redeemable shares) upon the subscriber of the redeemable shares exercising a share put option is classified as a financial liability. The redeemable shares are initially measured at fair value (after adjusting for initial direct cost) and subsequently measured at amortized cost using effective interest method.

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Derecognition

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

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

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

Share-based payment transactions***Equity-settled share-based payment transactions******Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised, the amount previously recognized in other 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 recognized in other reserve will continue to be held in other reserve.

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

At the end of the 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, 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 to sell 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 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. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Estimated collection rate of property management fee

The Group's revenue from its property management services under lump-sum basis are recognized based on estimated collection rate of property management fee in each of the residential communities managed by the Group. Significant management estimation is required to determine the collection rate of property management fee that can be collected in each of the residential communities, based upon the payment rate of property management fee in each of the residential communities managed by the Group.

Estimated impairment of payments on behalf of residents

The Group has receivables arisen from the payments on behalf of residents from the residential communities under the terms of commission basis in its property management services business. Since these management offices have no separate bank accounts, all transactions related to these management offices are settled through the treasury function of a group entity. The net amount paid on behalf of these management offices in excess of the management fee received from the residents of these residential communities are treated as receivables of the Group. Significant management estimation is required to determine whether the management offices have the ability to settle these receivables due to the Group.

To determine whether there is any objective evidence of impairment loss, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience, the financial performance of the residential communities and management fee collection rate of the residential communities in estimating the future cashflows from the residential communities.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's payments on behalf of residents under commission basis are RMB19,702,000, RMB46,089,000 and RMB43,966,000, respectively.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's trade receivables are RMB17,509,000, RMB30,991,000 and RMB57,151,000, respectively, net of allowance for bad and doubtful debt of nil, nil and RMB1,041,000, respectively.

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 future. As at December 31, 2011, 2012 and 2013, the carrying amounts of investment properties are RMB11,114,000 and RMB12,620,000 and RMB26,758,000, respectively.

Revenue recognition of installation contracts

For an installation contract, revenue and costs are recognized by reference to estimation of the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representation of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Construction costs which mainly comprise installation costs and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction revenue and construction costs. Change in this estimation may have a material impact on the results. During the years ended December 31, 2011, 2012 and 2013, the Group has recognized installation contracts revenue amounting to RMB34,098,000, RMB47,716,000 and RMB34,206,000 respectively.

Estimated recoverability of amount due from customers for contract works

When there is objective evidence of impairment loss in relation to amounts due from customers for contract works arisen from the installation services under engineering segment, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2011, 2012 and 2013, the carrying amount of amounts due from customers for contract works were RMB38,510,000, RMB45,749,000, and RMB43,892,000 respectively as disclosed in note 28.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less cost to sell of the cash-generating units to which goodwill has been allocated. 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 management of the Group, and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved budgets include the growth rates, discount rates and cash inflows/outflows including revenue, gross profit, operating expenses estimated based on past performance and market development expectations. Where the actual future cash flows are less than expected or there is a downward revision of expected future cash inflows due to unfavourable change in facts and circumstances, a material impairment loss may arise. As of December 31, 2011, 2012 and 2013, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB4,558,000, RMB14,114,000 and RMB50,537,000 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 intangible assets are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The carrying amount of property, plant and equipment at December 31, 2011, 2012 and 2013 were RMB6,292,000, RMB10,357,000, RMB23,513,000, respectively.

Estimation on income tax

The ultimate tax determination in relation to the sub-contracting costs incurred in the engineering services segment with no tax invoices is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome and actual tax payment of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the year in which such determination is made.

6. 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 maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of borrowings, amounts due to immediate holding company, non-controlling shareholders, fellow subsidiaries, an associate and a joint venture, redeemable shares, net of bank balances and cash, and equity attributable to owners of the Company comprising share capital and reserves.

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

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	381,442	496,349	301,865
Financial assets at FVTPL	—	42,200	—
Financial liabilities			
Amortized cost	349,619	479,322	176,051

THE COMPANY

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables	—	—	35,231
Financial liabilities			
Amortized cost	106	730	8,865

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, amounts due from fellow subsidiaries, non-controlling shareholders, an associate, a related party, and immediate holding company, restricted bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to non-controlling shareholders, an associate, a joint venture, fellow subsidiaries and immediate holding company, borrowings and redeemable shares. 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 analyzes exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on restricted bank deposits, bank balances and variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize 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 Lending Rate of the People's Bank of China ("PBOC") for the bank borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, amount due to a non-controlling shareholder and redeemable shares (see notes 32 and 42(b)). 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.

The management considered that interest rate risk in restricted bank deposits and amount due to a non-controlling shareholder is insignificant.

Sensitivity analysis

Bank balances

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances at the end of the reporting period. A 25 basis points increase or decrease during the years ended December 31, 2011 and 2012, and 2013 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 Track Record Period and all other variables were held constant, the Group's profit during the Track Record Period would increase/decrease as follow:

At December 31,		
2011	2012	2013
RMB'000	RMB'000	RMB'000
57	49	276

Bank borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate bank borrowings at the end of the reporting period. A 25 basis points increase or decrease during the years ended December 31, 2011 and 2012, and 2013 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 Track Record Period and all other variables were held constant, the Group's profit during the Track Record Period would decrease/increase as follow:

At December 31,		
2011	2012	2013
RMB'000	RMB'000	RMB'000
75	-	-

Credit risk

At the end of each reporting period, 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 recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The Company's maximum exposure to credit risk is arising from the carrying amount of recognized financial assets as stated in the statements of financial position.

In order to minimize the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. 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, e.g. residents in the residential communities managed by the Group under lump sum basis; customers from engineering service segment in relation to the provision of installation services and repair and maintenance services; and customers from community leasing, sales and other services in relation to provision of various community leasing, sales and other services. However, the Group had concentration of credit risk in respective of amounts due from certain fellow subsidiaries and non-controlling shareholders. The details are disclosed in note 42(b). The management of the Group considered that the credit risk of amounts due from fellow subsidiaries is insignificant after considering the historical settlement record, credit quality and financial position of these fellow subsidiaries.

For the amount due from a related party, the Group had not encountered any difficulties in collecting from the related party in the past, and is not aware of any financial difficulties experienced by the related party.

The Group had no concentration of credit risk in respect of the payments on behalf of residents from residential communities under commission basis, with exposure spread over a number of residential communities managed by the Group. The payments on behalf of residents from each residential community under commission basis contributed less than 10% of the total balance of payments on behalf of residents at the end of each reporting period. In addition, the Group assesses the estimated future cash flow in respect of recovering from payment on behalf of residents from residential communities under commission basis at the end of the reporting period to determine that adequate impairment losses are made. In this regard, the directors of the Company consider that the credit risk in respect of the receivables from residents 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. The Group's credit risk on deposits paid on acquisition of subsidiaries is not significant as the counterparties are enterprises with good reputation established in PRC.

The Company

The Company has concentration of credit risk on the amount due from a subsidiary. The credit risk on the amount due from a subsidiary is limited as the Company had not encountered any difficulties in collecting from the subsidiary in the past, and is not aware of any financial difficulties being experienced by the subsidiary.

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 Group relies on bank borrowings, amounts due to fellow subsidiaries, and redeemable shares as a significant source of liquidity. As at December 31, 2011, 2012 and 2013, the Group had bank borrowings of approximately RMB40,000,000, nil and RMB377,000 (note 32), had amounts to fellow subsidiaries of RMB249,641,000, RMB356,778,000 and RMB36,719,000 (note 42(b)) and had redeemable shares of nil, nil and RMB6,614,000 (note 33), respectively.

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 or the Company 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.

THE GROUP

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 8 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2011							
Trade and other payables . . .	—	9,247	16,036	—	—	25,283	25,283
Receipts on behalf of residents	—	30,607	—	—	—	30,607	30,607
Amounts due to fellow subsidiaries	—	249,641	—	—	—	249,641	249,641
Amount due to immediate holding company	—	3,091	—	—	—	3,091	3,091
Amounts due to non-controlling shareholders	—	828	—	—	—	828	828
Amount due to a joint venture	—	169	—	—	—	169	169
Bank borrowings							
— variable rates	6.6%	—	40,430	—	—	40,430	40,000
		<u>293,583</u>	<u>56,466</u>	<u>—</u>	<u>—</u>	<u>350,049</u>	<u>349,619</u>
As at December 31, 2012							
Trade and other payables . . .	—	15,925	21,444	—	—	37,369	37,369
Receipts on behalf of residents	—	77,700	—	—	—	77,700	77,700
Amounts due to fellow subsidiaries	—	356,778	—	—	—	356,778	356,778
Amount due to immediate holding company	—	3,283	—	—	—	3,283	3,283
Amounts due to non-controlling shareholders (note).	8.9%	624	41	233	2,244	3,142	1,972
Amount due to an associate .	—	2,126	—	—	—	2,126	2,126
Amount due to a joint venture	—	94	—	—	—	94	94
		<u>456,530</u>	<u>21,485</u>	<u>233</u>	<u>2,244</u>	<u>480,492</u>	<u>479,322</u>

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 8 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2013							
Trade and other payables . . .	—	7,877	20,851	—	—	28,728	28,728
Receipts on behalf of residents	—	96,804	—	—	—	96,804	96,804
Amounts due to fellow subsidiaries	—	36,719	—	—	—	36,719	36,719
Amount due to immediate holding company	—	1,428	—	—	—	1,428	1,428
Amounts due to non-controlling shareholders (note)	8.9%	1,570	60	179	1,551	3,360	2,900
Amount due to an associate	—	2,387	—	—	—	2,387	2,387
Amount due to a joint venture	—	94	—	—	—	94	94
Redeemable shares	12.0%	—	—	—	7,404	7,404	6,614
Bank borrowings — fixed rates	11.0%	—	56	167	242	465	377
		<u>146,879</u>	<u>20,967</u>	<u>346</u>	<u>9,197</u>	<u>177,389</u>	<u>176,051</u>

Note:

Except for amount due to Mr. Mu Xiaoming which is unsecured and bears interest of 8.9% per annum, the amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

THE COMPANY

As at December 31, 2011 and 2012, the financial liability represented amount due to a fellow subsidiary which is unsecured, repayable on demand and interest-free.

The follow table shows the details of financial liabilities as at December 31, 2013:

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 years	1 year to 2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2013							
Amount due to a fellow subsidiary	—	1,631	—	—	—	1,631	1,631
Redeemable shares	12.0%	—	—	—	7,404	7,404	6,614
Amounts due to subsidiaries . .	—	631	—	—	—	631	631
		<u>2,262</u>	<u>—</u>	<u>—</u>	<u>7,404</u>	<u>9,666</u>	<u>8,876</u>

c. *Fair value***Fair values of the Group's financial assets and investment properties that are measured at fair value on a recurring basis**

Certain of the Group's financial assets and the investment properties are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as 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.

	Fair values as at			Fair value hierarchy
	December 31,			
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	
Financial assets classified as FVTPL	—	42,200	—	Level 3
Investment properties	11,114	12,620	24,547	Level 3

For the valuation of structured deposits classified as financial assets designed at FVTPL, the valuation is by reference to the discounted cash flows. Key unobservable inputs included expected yields of debt instruments and treasury notes invested by banks and a discount rate that reflects the credit risk of the banks.

The directors consider that the impact of the fluctuation in expected yields of the debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

For the valuation of investment properties, the valuations were arrived at market evidence of transaction prices for similar properties in the same locations and conditions. The unobservable inputs of this valuation technique is the average price of comparable, the ranges of unobservable inputs during the Track Record Period are as follow:

As at	Ranges of comparables per square metre	Average price per square metre
December 31, 2011	RMB3,300—RMB15,000	RMB8,500
December 31, 2012	RMB3,300—RMB24,000	RMB8,400
December 31, 2013	RMB3,500—RMB24,000	RMB7,320

The movements of investment properties of the Group which fair value measurement using significant unobservable inputs are disclosed in note 18 of the Financial Information.

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

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values,

Valuation process

The chief financial officer of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data or information provided by counterparty financial institutions to the extent it is available. Where Level 1 inputs are not available or counterparty financial institutions cannot provide sufficient information in relation to fair value, the management of the Group will engage third party qualified valuers to perform the valuation. The chief financial officer reports to management of the Group semi-annually to explain the cause of fluctuations in the fair value of the assets.

8. REVENUE AND SEGMENT INFORMATION

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

The Group has three reportable and operating segments under continuing operations as follows:

- | | |
|--|--|
| 1. Property management services | — Provision of property management services to primarily residential communities and property management consultancy services provided to other property management companies. |
| 2. Engineering services | — Provision of equipment installation services, repair and maintenance services and equipment leasing. |
| 3. Community leasing, sales and other services | — Provision of common area rental assistance, purchase assistance and residential and retail units rental and sales assistance and provision of property agency services. |

Operating segments regarding other property operation and hotel operation were discontinued in 2011 and 2012 respectively. Details are set out in note 37. The segment information reported below does not include any accounts for these discontinued operations.

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 central administration costs, interest income from banks, rental income from investment properties, certain non-recurring income, changes in fair value of investment properties, investment income of financial assets classified as FVTPL, gain on disposal of a subsidiary, impairment loss recognized on goodwill, share of results of an associate and a joint venture, finance costs, and listing expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

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

Segment revenues and results

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

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011					
<i>Continuing operations</i>					
External revenue	74,823	46,840	24,840	—	146,503
Inter-segment revenue	—	3,654	21	(3,675)	—
Segment revenue.....	<u>74,823</u>	<u>50,494</u>	<u>24,861</u>	<u>(3,675)</u>	<u>146,503</u>
Segment profit	<u>22,515</u>	<u>7,735</u>	<u>7,530</u>		<u>37,780</u>
Changes in fair value of investment properties					1,087
Share of results of an associate .					360
Share of results of a joint venture					218
Finance costs					(1,092)
Bank interest income					64
Rental income from investment properties					42
Impairment loss recognized on goodwill.....					(870)
Other unallocated income					792
Profit before tax					<u>38,381</u>

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2012					
<i>Continuing operations</i>					
External revenue	104,870	59,494	32,143	—	196,507
Inter-segment revenue	—	2,543	448	(2,991)	—
Segment revenue.....	<u>104,870</u>	<u>62,037</u>	<u>32,591</u>	<u>(2,991)</u>	<u>196,507</u>
Segment profit	<u>27,988</u>	<u>10,250</u>	<u>22,183</u>		<u>60,421</u>
Changes in fair value of investment properties					(86)
Investment income of financial assets classified as FVTPL.....					604
Share of results of an associate .					303
Share of results of a joint venture					173
Finance costs					(582)
Bank interest income					749
Rental income from investments properties					62
Other unallocated expenses.....					<u>(783)</u>
Profit before tax					<u>60,861</u>

	Property management services	Engineering services	Community leasing, sales and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013					
<i>Continuing operations</i>					
External revenue	136,803	51,623	44,643	—	233,069
Inter-segment revenue	—	4,319	910	(5,229)	—
Segment revenue.....	<u>136,803</u>	<u>55,942</u>	<u>45,553</u>	<u>(5,229)</u>	<u>233,069</u>
Segment profit	<u>39,498</u>	<u>11,533</u>	<u>39,871</u>		<u>90,902</u>
Changes in fair value of investment properties					230
Investment income of financial assets classified as FVTPL					1,420
Share of results of an associate					175
Share of results of a joint venture					265
Finance costs					(630)
Bank interest income					554
Rental income from investment properties					28
Gain on disposal of subsidiaries ..					778
Listing expenses					(22,854)
Other unallocated income					67
Profit before tax					<u>70,935</u>

Other segment information

	Property Management services	Engineering services	Community leasing, sales and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	2,162	2,072	678	4,912
Impairment loss recognized on goodwill	870	—	—	870
Depreciation of property, plant and equipment	513	51	1,292	1,856
(Gain) loss on disposal of property, plant and equipment	(4)	(20)	44	20
Bad debt written off related to other receivables	—	—	2,430	2,430
Impairment loss recognized on payments on behalf of residents under commission basis	1,733	—	—	1,733
Imputed interest income on non-current interest-free trade receivables	—	169	—	169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended December 31, 2012				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	663	8,665	1,352	10,680
Depreciation of property, plant and equipment	723	80	1,342	2,145
Impairment loss recognized on payments on behalf of residents under commission basis	2,394	—	—	2,394
Imputed interest income on non-current interest-free trade receivables	—	171	—	171
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Property Management services	Engineering services	Community leasing, sales and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013				
<i>Continuing operations</i>				
Segment information included in the measure of segment profit or segment assets:				
Additions to non-current assets (note)	6,222	19,756	5,110	31,088
Bad debt written off related to deposit paid for acquisition of subsidiaries	350	—	—	350
Bad debt written off related to other receivables	590	—	—	590
Bad debt recovery related to other receivables	—	—	(576)	(576)
Amortization of intangible assets	1,189	—	—	1,189
Depreciation of property, plant and equipment	1,985	1,086	858	3,929
Fair value adjustment on non-current interest-free deposit	666	—	—	666
Impairment loss recognized on payments on behalf of residents under commission basis	5,846	—	—	5,846
Impairment loss recognized on — trade receivables	—	—	415	415
— trade receivables — invoice to be issued	—	785	—	785
Imputed interest income on non-current interest-free trade receivables	—	408	—	408
Loss on disposal of property, plant and equipment	1,846	—	—	1,846

Note:

Additions to non-current assets comprise additions to property, plant and equipment and investment properties, and exclude additions to interests in an associate and a joint venture, prepayments, trade and other receivables, deferred tax assets, deposits paid for acquisition of subsidiaries and goodwill.

Revenue from major services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
<u>Property management services</u>			
Property management services fee under commission basis	28,534	34,970	64,494
Property management services fee under lump sum basis	33,311	39,044	34,744
Pre-sale services	12,978	30,856	37,037
Consultancy services fee.....	—	—	528
<u>Engineering services</u>			
Installation service fees from provision of engineering services	34,098	47,716	34,206
Services fee from provision of repair and maintenance services	12,742	11,592	14,788
Equipment leasing income	—	186	2,629
<u>Community leasing, sales and other services</u>			
Community rental, purchase and sales assistance services	20,862	29,436	44,643
Agency fee from provision of property agency services	3,978	2,707	—
	<u>146,503</u>	<u>196,507</u>	<u>233,069</u>

Geographical information

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are located in the PRC.

Information about major customers

During the years ended December 31, 2011, 2012 and 2013, the subsidiaries of Fantasia Holdings, other than entities comprising the Group on an aggregated basis, contributed over 10% of the total sales of the Group which involved in property management services segment and engineering service segment (note 42(c)). Save as disclosed, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

9. OTHER GAINS AND LOSSES AND OTHER INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Other gains and losses			
Bad debt written off related to deposit paid for acquisition for a subsidiary	—	—	(350)
Bad debt written off related to other receivables ...	(2,430)	—	(590)
Bad debt recovery related to other receivables	—	—	576
Fair value adjustment on non-current interest-free deposit	—	—	(666)
Impairment loss recognized on			
— trade receivables	—	—	(415)
— trade receivables — invoices to be issued	—	—	(785)
Impairment loss recognized on payments on behalf of residents under commission basis	(1,733)	(2,394)	(5,846)
Loss on disposal of property, plant and equipment .	(20)	—	(1,846)
Others	31	82	(200)
	<u>(4,152)</u>	<u>(2,312)</u>	<u>(10,122)</u>
Other income			
Bank interest income	64	749	554
Interest income from advance to a customer	—	—	222
Unconditional government grants	200	—	1,657
Imputed interest income on non-current interest-free trade receivables	169	171	408
Rental income from investment properties *	42	62	28
Investment income of financial assets classified as FVTPL	—	604	1,420
	<u>475</u>	<u>1,586</u>	<u>4,289</u>

* Direct operating expense incurred for investment properties that generated rental income during the Track Record Period were insignificant.

10. FINANCE COSTS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Interest on:			
Bank borrowings wholly repayable within five years	(1,092)	(499)	(59)
Amount due to a non-controlling shareholder of a subsidiary wholly repayable more than five years (note 42(b)&(c))	—	(83)	(135)
Redeemable shares repayable within five years (note 33)	—	—	(436)
	<u>(1,092)</u>	<u>(582)</u>	<u>(630)</u>

11. INCOME TAX EXPENSE

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Current tax			
PRC Enterprise Income Tax ("EIT")	(14,490)	(16,340)	(27,596)
Deferred tax (note 24)			
Current year	(439)	344	2,129
	<u>(14,929)</u>	<u>(15,996)</u>	<u>(25,467)</u>

No provision for Hong Kong Profits Tax has been made in the Financial Information as the income of the Group neither arises in nor is derived from Hong Kong during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39) 《國務院關於實施企業所得稅過渡優惠政策的通知》, the tax concessions for Shenzhen Colour Life Property Management, Shenzhen Kaiyuan Tongji and Robert Housekeeper are still applicable under the EIT Law as both entities are enterprises with business licenses dated prior to March 16, 2007. The applicable tax rates for Shenzhen Colour Life Property Management, Shenzhen Kaiyuan Tongji and Robert Housekeeper for the year ended December 31, 2011 is therefore 24%. The applicable tax rates for Shenzhen Colour Life Property Management and Shenzhen Kaiyuan Tongji for the year ended December 31, 2012 and 2013 is 25%.

Deferred tax has not been provided for in the Financial Information in respect of the tax effect of temporary differences attributable to the accumulated PRC undistributed earnings of the Group as at December 31, 2011, 2012 and 2013 amounting to approximately RMB21 million, RMB75 million and RMB143 million, respectively as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before tax	38,381	60,861	70,935
Tax at the PRC EIT rate of 25%	9,595	15,215	17,734
Tax effect of expenses not deductible for tax purpose (note)	5,445	509	6,073
Tax effect of tax losses not recognized	155	327	1,045
Utilization of tax loss previously not recognized	(380)	—	(592)
Tax effect of deductible temporary difference not recognized	608	205	1,305
Tax effect of share of results of an associate	(90)	(76)	(44)
Tax effect of share of results of a joint venture	(55)	(43)	(66)
Tax effect of different tax rates of branches	(276)	(251)	(252)
Effect of tax concession and preferential tax rate	(509)	—	—
Others	436	110	264
Income tax expense	14,929	15,996	25,467

Note:

Expenses not deductible for tax purpose for the year ended December 31, 2011 mainly represents the sub-contracting costs incurred in engineering services segment with no tax invoices for deduction purpose. During the years ended December 31, 2011 and 2012, expenses not deductible also included welfare and entertainment expenses exceeding the tax deduction limits under the EIT law and write-off of receivables without tax authority approval. For the year ended December 31, 2013, the expenses not deductible mainly represented listing expenses that are non-deductible for tax purposes and welfare and entertainment expenses exceeding the tax deduction limits under the EIT law.

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

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 Track Record Period are as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Directors' fee	—	—	—
Other emoluments			
— salaries and other benefits	437	438	1,091
— discretionary bonus	177	177	—
— contributions to retirement benefits scheme	30	43	31
— share-based payment	40	87	182
	<u>684</u>	<u>745</u>	<u>1,304</u>

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

	Fee	Salaries and other benefits	Discretionary Bonus	Retirement benefit scheme contribution	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 1)	RMB'000
Year ended December 31, 2011						
Executive directors						
Mr. Tang Xuebin	—	248	101	15	32	396
Mr. Dong Dong	—	189	76	15	8	288
Non-executive director						
Mr. Pan Jun	—	—	—	—	—	—
	<u>—</u>	<u>437</u>	<u>177</u>	<u>30</u>	<u>40</u>	<u>684</u>
Year ended December 31, 2012						
Executive directors						
Mr. Tang Xuebin	—	249	101	22	67	439
Mr. Dong Dong	—	189	76	21	20	306
Non-executive directors						
Mr. Pan Jun	—	—	—	—	—	—
Mr. Lam Kam Tong (Note 2)	—	—	—	—	—	—
	<u>—</u>	<u>438</u>	<u>177</u>	<u>43</u>	<u>87</u>	<u>745</u>
Year ended December 31, 2013						
Executive directors						
Mr. Tang Xuebin	—	351	—	5	134	490
Mr. Dong Dong	—	264	—	5	48	317
Mr. Zhou Qinwei (Note 3)	—	476	—	21	—	498
Non-executive directors						
Mr. Pan Jun	—	—	—	—	—	—
Mr. Lam Kam Tong (Note 2)	—	—	—	—	—	—
	<u>—</u>	<u>1,091</u>	<u>—</u>	<u>31</u>	<u>182</u>	<u>1,304</u>

Notes:

- (1) Mr. Pan Jun and Mr. Lam Kam Tong are employed by Fantasia Holdings, the ultimate holding company, and Mr. Pan Jun and Mr. Lam Kam Tong are executive directors of Fantasia Holdings, and also non-executive directors of the Company, Mr. Pan Jun and Mr. Lam Kam Tong have held various position in Fantasia Holdings and its subsidiaries and it is unable to allocate their share-based payment expenses among Fantasia Holdings and its subsidiaries. Therefore, related share-based payment expenses related to Mr. Pan Jun and Mr. Lam Kam Tong are borne by Fantasia Holdings.
- (2) Mr. Lam Kam Tung was appointed as a director of the Company on October 31, 2012.
- (3) Mr. Zhou Qinwei was appointed as a director of the Company on April 25, 2014.

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 during the Track Record Period.

Discretionary bonus is determined by reference to the performance of individuals and market trend.

The five highest paid individuals of the Group included 2 directors for the years ended December 31, 2011 and 2012, and 3 directors for the year ended December 31, 2013. The remunerations of the remaining 3 individuals for the years ended December 31, 2011 and 2012 and the remaining 2 individuals for the year ended December 31, 2013, which were individually less than HK\$1,000,000 are as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Employees			
— salaries and other benefits	793	796	1,074
— contributions to retirement benefits scheme	46	64	137
— share-based payment	25	60	94
	<u>864</u>	<u>920</u>	<u>1,305</u>

During the Track Record Period, 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 Track Record Period.

13. PROFIT FOR THE YEAR

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<i>Continuing operations</i>			
Profit has been arrived at after charging:			
Directors' remuneration			
(note 12)	684	745	1,304
Other staff's salaries and allowance	40,882	55,838	64,054
Retirement benefits scheme contributions	2,777	5,879	5,943
Share-based payment expenses.....	34	80	188
Total staff costs	44,377	62,542	71,489
Auditors' remuneration	19	29	54
Amortization of intangible assets	—	—	1,189
Depreciation for property, plant and equipment	1,856	2,145	3,929

14. DIVIDENDS

No dividend has been paid or proposed by the Company during the years ended December 31, 2011, 2012 and 2013.

No dividend has been paid or proposed by Ace Link during the year ended December 31, 2011.

Prior to the completion of Reorganisation, Shenzhen Colour Life had declared dividend in an amount of RMB 3,955,000 to its non-controlling shareholders during the year ended December 31, 2011.

15. EARNINGS PER SHARE**From continuing and discontinued operations**

The calculation of basic and diluted earnings per share from continuing and discontinued operations and 750,000,000 ordinary shares in issue during the Track Record Period are based on the assumption that the Reorganization and the capitalization issue as detailed in "History, Reorganization and the Group Structure" in the Prospectus and Section C below has been effective on January 1, 2011.

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

From continuing and discontinued operations

	Year ended December 31,		
	2011	2012	2013
Earnings (RMB'000)			
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company).....	6,652	43,432	44,368
Number of shares ('000)			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ...	719,938	719,938	734,317

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company are based on the following data:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Earnings			
Profit for the year attributable to the owners of the Company	6,652	43,432	44,368
Less:			
Loss for the year from discontinued operations	(13,060)	(529)	—
Profit for the purpose of basic and diluted earnings per share from continuing operations	19,712	43,961	44,368

The denominators used are the same as those details above for basic earnings per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is RMB1.81 cents, RMB0.07 cents and nil per share for the years ended December 31, 2011, 2012 and 2013, respectively.

The calculation of basic and diluted loss per share from discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Loss for the year from discontinued operations	(13,060)	(529)	—

The denominators used are the same as those details above for basic and diluted earnings per share from continuing and discontinued operations.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable shares since their exercise would result in an increase in earnings per share for continuing operations.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2011	4,099	7,051	5,422	93	16,665
Additions	187	1,198	766	364	2,515
Transfer	93	—	—	(93)	—
Disposal	—	(296)	(65)	—	(361)
Disposal of a subsidiary	—	(112)	(5,208)	—	(5,320)
At December 31, 2011	4,379	7,841	915	364	13,499
Additions	43	1,127	109	4,889	6,168
Acquisitions of subsidiaries					
(note 36(a))	—	42	—	—	42
Transfer	—	516	—	(516)	—
At December 31, 2012	4,422	9,526	1,024	4,737	19,709
Additions	1,072	2,499	607	13,002	17,180
Acquisitions of subsidiaries					
(note 37(a))	—	2,856	—	—	2,856
Transfer	—	6,331	—	(6,331)	—
Disposal	(948)	(5,926)	(203)	—	(7,077)
Disposal of subsidiaries	(4)	(623)	(427)	—	(1,054)
At December 31, 2013	4,542	14,663	1,001	11,408	31,614

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION					
At January 1, 2011	1,077	4,382	691	—	6,150
Provided for the year	544	1,287	530	—	2,361
Eliminated on disposal	—	(206)	(56)	—	(262)
Eliminated on disposal of a subsidiary	—	(52)	(990)	—	(1,042)
At December 31, 2011	1,621	5,411	175	—	7,207
Provided for the year	755	1,198	192	—	2,145
At December 31, 2012	2,376	6,609	367	—	9,352
Provided for the year	959	2,798	172	—	3,929
Eliminated on disposal	(778)	(3,870)	(203)	—	(4,851)
Eliminated on disposal of subsidiaries	(4)	(267)	(58)	—	(329)
At December 31, 2013	2,553	5,270	278	—	8,101
CARRYING VALUES					
At December 31, 2011	2,758	2,430	740	364	6,292
At December 31, 2012	2,046	2,917	657	4,737	10,357
At December 31, 2013	1,989	9,393	723	11,408	23,513

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 improvement.....	3–10 years
Furniture, fixtures and equipment.....	5 years
Motor vehicles.....	5–10 years

17. INTANGIBLE ASSETS

THE GROUP

	Property management contracts
COST	
At January 1, 2013	—
Acquired on acquisition of subsidiaries and at December 31, 2013 (note 36(a))	1,813
Amortization	
At January 1, 2013	—
Provided for the year and at December 31, 2013.....	(1,189)
CARRYING VALUE	
At December 31, 2013.....	624

The property management contracts were acquired from third parties through the acquisition of subsidiaries during the year ended December 31, 2013.

The intangible assets have finite useful lives and amortized on a straight line basis over the remaining contract term ranging from 6 months to 30 months.

18. INVESTMENT PROPERTIES

THE GROUP

	Completed investment properties measured at fair value	Investment properties under development measured at cost	Total
	RMB'000	RMB'000	RMB'000
FAIR VALUE OR COST			
At January 1, 2011	71,320	54,943	126,263
Additions	2,427	1,982	4,409
Disposal of subsidiaries (note 36(b))	(71,655)	(56,925)	(128,580)
Net increase in fair value recognized in profit or loss .	839	—	839
Transfer from properties held for sale	8,183	—	8,183
At December 31, 2011	11,114	—	11,114
Additions	4,512	—	4,512
Disposals	(2,920)	—	(2,920)
Net decrease in fair value recognized in profit or loss	(86)	—	(86)
At December 31, 2012	12,620	—	12,620
Additions	13,908	—	13,908
Net increase in fair value recognized in profit or loss .	230	—	230
At December 31, 2013	26,758	—	26,758

The fair values of the Group's completed investment properties at December 31, 2011, 2012 and 2013 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has employed members of the Hong Kong Institute of Surveyors and its office is located on 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong. 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.

At January 1, 2011, the fair value of investment properties under development with carrying amounts of approximately RMB54,943,000 cannot be reliably determined, therefore, the investment properties under development was measured at cost until either its fair value becomes reliably determinable or development is completed. The properties were disposed of during the year ended December 31, 2011 upon the disposal of subsidiaries.

During the year ended December 31, 2011, properties held for sale with carrying amount of RMB5,606,000 were transferred to investment properties upon the signing of relevant rental agreement. The excess of fair value amounting to RMB2,577,000 were recognized in profit and loss and classified under discontinued operations.

The investment properties are held under medium term of lease in the PRC. They 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.

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.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY		
	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1	623	623

As at December 31, 2011, the investment cost represented 1 ordinary share of US\$100 in Ace Link invested by the Company. Ace Link has been disposed of by the Company in April 2013 and ceased to be a subsidiary of the Company.

As at December 31, 2012, in addition to the investment cost in Ace Link, the Company further invested US\$50,000 each into Colour Cloud Holdings and Colour Pay Treasure.

In January 2013, the Group acquired Tong Yuan from an independent third party at a consideration of US\$100 (in equivalent to RMB622), and Tong Yuan became a directly wholly-owned subsidiary of the Company.

As at December 31, 2013, the investment cost represented 1 ordinary share of US\$100 in Tong Yuan and US\$50,000 each in Colour Cloud Holdings and Colour Pay Treasure invested by the Company.

20. INTEREST IN AN ASSOCIATE

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	500	500	500
Share of post-acquisition results, net of dividends received	453	432	607
	953	932	1,107

The Group's interest in an associate is as follows:

Name of entity	Place of establishment and operation	Registered capital	Proportion of registered capital and voting power held by the Group				Principal activity
			At December 31,			At date of the report	
			2011	2012	2013		
深圳市越眾物業管理有限公司 Shenzhen Yuezhong Property Management Co., Ltd.* ("Shenzhen Yuezhong Property Management") (note)	PRC	RMB1,000,000	50%	50%	50%	50%	Provision of property management services

* The English name is for identification purpose only

Note:

Pursuant to the shareholder agreement, the Group has the right to cast 50% of the votes of Shenzhen Yuezhong Property Management at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yuezhong Property Management. Other than the Group, Shenzhen Yuezhong Property Management has two other shareholders which hold the remaining equity interest in Shenzhen Yuezhong Property Management of 40% and 10% respectively. 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, Shenzhen Yuezhong Property Management is accounted for as an associate of the Group.

Summarized financial information prepared in accordance with HKFRSs in respect of the Group's associate is set out below.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets	124	105	8
Current assets	5,689	6,622	9,201
Total assets	5,813	6,727	9,209
Current liabilities	(3,907)	(4,863)	(6,995)
Net assets	1,906	1,864	2,214
Group's share of net assets	953	932	1,107
	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	974	1,438	1,765
Profit for the year	720	606	350
Group's share of profit of an associate	360	303	175
Dividend received from an associate	313	324	—

21. INTEREST IN A JOINT VENTURE

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	250	250	250
Share of post-acquisition results, net of dividends received	35	53	318
	<u>285</u>	<u>303</u>	<u>568</u>

The Group's interest in a joint venture is as follow:

Name of entity	Place of establishment and operation	Registered capital	Proportion of registered capital and voting power held by the Group				Principal activities
			At December 31,			At date of the report	
			2011	2012	2013		
桂林市同濟樓宇科技工程安裝有限公司 Guilin Tongji Building Science Technology Engineering Installation Co., Ltd.* ("Guilin Tongji")	PRC	RMB500,000	50%	50%	50%	50%	Provision of engineering services

* The English name is for identification only.

Pursuant to the shareholder agreement, the Group and 桂林市振安物業服務有限公司 Guilin Zhenan Property Service Co., Ltd.* ("Guilin Zhenan") each held 50% equity interest in Guilin Tongji. The board of directors of Guilin Tongji, the governing body which directs the relevant activities that significantly affects the returns of Guilin Tongji, consists of two directors of which the Group and Guilin Zhenan can appoint one director each to the board of directors. The approval of the relevant activities requires a simple majority of directors' votes. Therefore, Guilin Tongji is jointly controlled by the Group and Guilin Zhenan. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Guilin Tongji, it is accounted for as a joint venture of the Group.

Summarized financial information in respect of the Group's joint venture prepared in accordance with HKFRSs is set out below:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	896	1,095	1,833
Non-current assets	1	—	—
Current liabilities	327	489	697

The above amounts of assets and liabilities include the following:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and cash equivalent	647	287	29
Current financial liabilities	135	62	226
	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,736	1,451	4,426
Profit for the year	436	346	530
Group's share of results of a joint venture	218	173	265
Dividends received from a joint venture	79	155	—

The above profit for the year include the following:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Income tax expense	59	115	196

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in the joint venture with proportion of voting power held by the Group of 50%:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net assets of the joint venture	570	606	1,136
Carrying amount of the Group's interest in the joint venture	285	303	568

22. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

THE GROUP

	<u>RMB'000</u>
COST	
At January 1, 2011	4,558
Arising on acquisition of business during the year (note 36 (a))	870
At December 31, 2011	<u>5,428</u>
Arising on acquisition of business during the year (note 36 (a))	<u>9,556</u>
At December 31, 2012	14,984
Arising on acquisition of business during the year (note 36 (a))	36,423
At December 31, 2013	<u><u>51,407</u></u>
IMPAIRMENT	
Impairment loss recognized in 2011 and balance at December 31, 2011, 2012 and 2013	<u>870</u>
CARRYING VALUES	
At December 31, 2011	<u>4,558</u>
At December 31, 2012	<u>14,114</u>
At December 31, 2013	<u><u>50,537</u></u>

For the purpose of impairment testing, goodwill above has been allocated to a group of communities managed by the Group collectively as the property management cash-generating units ("Property Management CGU").

An impairment loss of RMB870,000 is recognized during the year ended December 31, 2011.

During the year ended December 31, 2012 and 2013, management of the Group determined that there is no impairment of its Property Management CGU containing goodwill arising from the acquisition of businesses.

The recoverable amount of the Property Management CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period and at a discount rate of 15% per annum. The cash flows beyond the five-year period are extrapolated using a growth rate of 0%.

Cash flow projections during the budget period for the Property Management CGU are based on management's estimate of cash inflows/outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the Property Management CGU past performance and management's expectation of market development.

23. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

During the year ended December 31, 2011, the Group made deposits to independent third parties of approximately RMB4,484,000 in relation to the acquisitions of Qinhuangdao Hongtianyuan Property Service, Tieling Zhengnan Property Management, Shaanxi Liantang Property Service, Shenyang Jixiang Baite Property Service and 上海通翼物業有限公司 (Shanghai Tongyi Property Co., Ltd. or "Shanghai Tongyi Property").

During the year ended December 31, 2012, the acquisitions of Tieling Zhengnan Property Management and Shaanxi Liantang Property Service have been completed. Details of the acquisitions are set out in note 36(a).

As at December 31, 2012, the Group made deposits to independent third parties of approximately RMB8,678,000 in relation to the acquisitions of Nanjing Mingcheng Property Management, Shanghai Tongyi Property, Qinhuangdao Hongtianyuan Property Service, Nanjing Huitao Property Management and Shenyang Jixiang Baite Property Service.

During the year ended December 31, 2013, the acquisitions of Nanjing Mingcheng Property Management, Qinhuangdao Hongtianyuan Property Service and Nanjing Huitao Property Management were completed. Details of the acquisitions are set out in note 36(a).

For the acquisitions of Shanghai Tongyi Property and Shenyang Jixiang Baite Property Service, the Group determined not to further proceed on the transactions. For the deposit paid for the acquisition of Shanghai Tongyi Property of RMB860,000, the deposit has been refunded during the year ended December 31, 2013. For the deposit paid for the acquisition of Shenyang Jixiang Baite Property Service of RMB350,000, the Group expected the amount may not be recoverable and therefore the Group has written off the deposit and charged the loss to profit or loss for the year ended December 31, 2013 and included in other gains and losses.

24. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	Tax losses	Allowance on doubtful debt	Temporary difference on long-term receivables and others	Land appreciation tax provision	Fair value adjustment of investment properties	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	1,907	628	—	57,270	(15,314)	—	44,491
(Charge) credit to profit or loss	(115)	433	(338)	(147)	(272)	—	(439)
Disposal of subsidiaries (note 36(b))	(978)	—	—	(57,123)	15,368	—	(42,733)
At December 31, 2011	814	1,061	(338)	—	(218)	—	1,319
(Charge) credit to profit or loss	(814)	940	—	—	218	—	344
At December 31, 2012	—	2,001	(338)	—	—	—	1,663
Acquisition of subsidiaries	—	—	—	—	—	(453)	(453)
Credit (charge) to profit or loss	—	1,847	42	—	(57)	297	2,129
At December 31, 2013	—	3,848	(296)	—	(57)	(156)	3,339

For the purpose of presentation in the Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,875	2,001	3,848
Deferred tax liabilities	(556)	(338)	(509)
	1,319	1,663	3,339

At December 31, 2011, 2012 and 2013, the Group had unutilized tax losses of approximately RMB5,686,000, RMB3,412,000 and RMB4,449,000, respectively. A deferred tax asset has been recognized in respect of approximately RMB3,256,000, nil and nil as of December 31, 2011, 2012 and 2013, respectively of such tax losses.

No deferred tax asset has been recognized in respect of the remaining tax losses of RMB2,430,000, RMB3,412,000 and RMB4,449,000 as of December 31, 2011, 2012 and 2013, respectively, due to the unpredictability of future profits streams.

Pursuant to the relevant laws and regulations in the PRC, tax losses at the end of the reporting period will expire in the following years:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
2013	3,583	—	—
2014	1,484	1,484	—
2015	—	—	—
2016	619	619	—
2017	—	1,309	269
2018	—	—	4,180
	<u>5,686</u>	<u>3,412</u>	<u>4,449</u>

At December 31, 2011, 2012 and 2013, the Group had deductible temporary difference of approximately RMB9,930,000, RMB11,416,000 and RMB19,921,000, respectively. A deferred tax asset has been recognized in respect of approximately RMB7,500,000, RMB8,004,000 and RMB15,472,000, respectively as at December 31, 2011, 2012 and 2013. No deferred tax asset has been recognized for the remaining amounts of RMB2,430,000, RMB3,412,000 and RMB4,449,000, respectively, as at December 31, 2011, 2012 and 2013, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

25. INVENTORIES

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Consumables	—	1,274	200

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	9,421	20,486	41,868
Retention receivables	2,167	1,729	1,656
Invoice to be issued (notes 1 & 2)	5,931	8,776	14,668
	17,519	30,991	58,192
Less: allowance for doubtful debts	—	—	(1,041)
Total trade receivables	17,519	30,991	57,151
Other receivables and prepayments:			
Deposits paid in relation to consultancy service arrangements (note 3)	—	—	5,334
Other deposits	6,186	6,190	6,993
Loan receivables (note 4)	—	1,500	—
Advance to a customer (note 5)	5,752	5,252	1,752
Advances to staff	3,211	4,179	3,298
Prepayments to suppliers	2,550	2,594	7,227
Prepayments for the acquisition of investment properties	3,580	3,358	—
Receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia	—	53	2,077
Other prepayments	1,908	3,150	3,664
Payments on behalf of residents under lump sum basis (note 6)	5,460	8,765	5,366
Payment on behalf of residents for residential communities under consultancy service arrangements (note 7)	—	—	2,920
Deferred listing expenses	—	—	7,426
Others	121	1,841	2,616
	28,768	36,882	48,673
	46,287	67,873	105,824
Classified as:			
— Non-current			
Trade receivables (note 8)	7,092	9,416	7,585
Other receivables and prepayments (note 9)	8,832	8,110	5,334
	15,924	17,526	12,919
— Current			
Trade receivables	10,427	21,575	49,566
Other receivables and prepayments	19,936	28,772	43,339
	30,363	50,347	92,905
	46,287	67,873	105,824

Notes:

1. For the customers of installation of energy-saving lighting systems, of which they are mainly the residential communities managed by the Group, the Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-months period. The unbilled installation revenue is discounted at an effective interest rate of 8.3%, 8.3% and 8.3% per annum for the years ended December 31, 2011, 2012 and 2013. Upon meeting the revenue recognition criteria, installation revenue/agency fee income recognized prior to the issuance of invoice is recognized as "invoice to be issued" in the consolidated statement of financial position.
2. The Group entered into agency service agreement for providing rental information to 深圳市彩之家房地產策劃有限公司, Shenzhen Caizhijia Real Estate Planning Co., Ltd. ("Caizhijia"), an independent third party. According to the agreement entered into between the Group and Caizhijia, the agency services provided by the Group to Caizhijia in each year will be determined and finalized between both parties at the end of each year, and the Company will bill the agency fee payable by six equal installments from July to December of the following year. In addition, the Company also entered into an agreement to allow Caizhijia to use its online rental information platform. The Company will bill Caizhijia twelve months after the end of each reporting period on the trade receivables in relation to the usage of online rental information platform by Caizhijia. Upon meeting the revenue recognition criteria, agency fee and online platform usage fee income recognized prior to issuance of invoice is recognized in the consolidated statements of financial position as invoice to be issued.
3. The balance represented the present value of the RMB6,000,000 deposit paid in relation to the consultancy service arrangements entered with a property management company. The deposit will be refunded to the Group in 2016, and the balance is recorded as a non-current deposit as of December 31, 2013.
4. In January 2012, the Group entered into a loan agreement with Caizhijia for providing financing to Caizhijia for a period of 18 months from January 31, 2012 to July 31, 2013. According to the agreement entered into between the Group and Caizhijia, the amount advanced to Caizhijia is unsecured, interest-bearing at 10% per annum over the financing period. The loan advanced to Caizhijia has been settled by Caizhijia in 2013.
5. During the year ended December 31, 2011, the Group advanced a sum of RMB5,752,000 to a third party customer, 深圳市龍興世紀投資有限公司, Shenzhen Long Xing Century Investment Co., Limited ("Shenzhen Long Xing") under the Engineering Services Segment. The directors expected the advance to be settled by Shenzhen Long Xing by May 2014. In May 2013, the Group entered a supplementary agreement with Shenzhen Long Xing, whereby RMB3,500,000 out of the total advance due from Shenzhen Long Xing is unsecured and interest bearing of 0.52% per month for a twelve-months period commencing in May 2013. The remaining balance is unsecured, interest-free and would be settled by Shenzhen Long Xing by May 2014. During the years ended December 31, 2012 and 2013, Shenzhen Long Xing has settled RMB500,000 and RMB3,500,000, respectively, towards the total outstanding amount to the Group.
6. The balance represented the utilities bills paid to the water supplies companies and electricity companies on behalf of the residents under lump sum basis. The payments on behalf of the residents will be re-charged to the residents at rate pre-determined between the Group and the residents.
7. The balance represented the amount paid on behalf of residential communities which are under the consultancy service arrangements. The management offices of residential communities under the consultancy services arrangement have no separate bank accounts because these management offices have no separate legal entity. In accordance with the consultancy services agreements, the Group would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of the group entities.
8. Trade receivables classified as non-current represented the following:
 - (a) Installation revenue to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the installation of energy-saving lighting systems as mentioned in note 1 above.
 - (b) Income to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the usage of rental information platform by Caizhijia as mentioned in note 2 above.
 - (c) The retention receivables arisen from engineering services whereby the Group expects the settlement from customers will be made after twelve months from the end of each reporting period, which is based on the expiry of the retention period.
9. Other receivables and prepayments classified as non-current represented the following:
 - (a) Prepayments for acquiring investment properties whereby the properties ownership have not yet passed to the Group as at December 31, 2011 and 2012.
 - (b) An advance made to Shenzhen Long Xing as mentioned in note 5, of which the Group expects certain settlement from the customer will be made after twelve months from the end of the year 2011 and 2012.
 - (c) Deposit paid which will be refunded to the Group in 2016 in relation to the consultancy service arrangements entered with a property management company.

Trade receivables are mainly arisen from management and service income under lump sum basis from property management services, installation contract income and automation equipment upgrade services income from engineering services and service income from community leasing, sales and other services.

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

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

Service income from community leasing, sales and other services is due for payment upon the issuance of demand note.

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

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

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 to 30 days	5,366	9,043	8,553
31 to 90 days	2,458	6,259	10,997
91 to 180 days	814	2,345	9,296
181 to 365 days	409	2,716	9,442
Over 1 year	374	123	3,165
	9,421	20,486	41,453

For the engineering services and community leasing, sales and other services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

In determining the recoverability of trade receivables from the property management services, the Group estimates the recoverable amount of property management fee in each residential communities managed by the Group. Considering the residents are living in these residential communities managed by the Group, together with good collection record from the residents and subsequent settlement, in the opinion of the directors of the Company, the trade receivables from property management services are of good credit quality and no impairment allowance is necessary in respect of the remaining unsettled balances.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB5,067,000, RMB14,780,000 and RMB34,842,000 at December 31, 2011, 2012 and 2013, respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade receivables

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0-90 days	4,285	10,645	15,999
91-180 days	409	3,406	9,715
181-365 days	373	623	6,360
Over 365 days	—	106	2,768
	<u>5,067</u>	<u>14,780</u>	<u>34,842</u>

In determining the recoverability of trade receivable - invoice to be issued in relation to the installation work of energy-saving lighting systems from engineering services under 48-month interest-free instalment sales contracts entered with customers, the Group's estimation of recoverability is with reference to the expected drop-out rate of the residential communities managed by the Group. Considering if a residential community has terminated the property management agreement with the Group, the directors considered the relevant trade receivables invoice to be issued in relation to the installation work of energy-saving lighting system may be uncollectible, and impairment allowance is provided accordingly.

Movement in the allowance for doubtful debts

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Balance at beginning of the reporting period	—	—	—
Impairment losses recognized on receivables	—	—	1,200
Amounts written off as uncollectible	—	—	(159)
Balance at end of the reporting period	<u>—</u>	<u>—</u>	<u>1,041</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil, nil and RMB1,041,000, with reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. The Group does not held any collateral over these balances.

The Company

The balance of the Company as at December 31, 2013 represented the deferred listing expenses.

27. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Receivables	19,702	46,089	43,966
Payables	(30,607)	(77,700)	(96,804)

The balances represent the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. 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 group entities. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

Movements of allowance for doubtful debts

	For the year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At beginning of the year	2,513	4,246	6,640
Additional allowance for doubtful debts	1,733	2,394	5,846
At end of the year	4,246	6,640	12,486

In determining the recoverability of the payments on behalf of residents under commission basis, the management of the Group reviews the cash receipts from residents of respective property management office during each period in order to assess the collectability of payments on behalf of residents under commission basis.

At the end of each reporting period, the Group made specific allowance for payments on behalf of residents which the respective communities terminated or expected to terminate the property management agreement with the Group. Based on the management evaluation of collectability of each receivable, management will provide full allowance on those receivables due from terminated communities as historical experience shown that these receivables from terminated communities may not be recoverable from termination.

In addition, at the end of each reporting period, the Group made allowance for payments on behalf of residents of communities with poor financial performance based on an evaluation of the collectability of the receivables from these management offices. With reference to the historical experience of these receivables, the collection of these receivables may not be fully recoverable. Accordingly, the Group made allowance on these poor financial performance management offices on a collectively basis.

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of the reporting period			
Contract costs incurred plus recognized profits less recognized losses	98,131	123,275	133,956
Less: progress billing	(61,623)	(78,142)	(92,848)
	<u>36,508</u>	<u>45,133</u>	<u>41,108</u>
Represented by:			
Amounts due from contract customers within 1 year	38,510	45,749	43,892
Amounts due to contract customers within 1 year	(2,002)	(616)	(2,784)
	<u>36,508</u>	<u>45,133</u>	<u>41,108</u>

Retentions held by customers for contract works for installation contracts was included in trade receivables at December 31, 2011, 2012 and 2013.

No significant advance was received from customers prior to commencement of contract works at December 31, 2011, 2012 and 2013.

29. FINANCIAL ASSETS CLASSIFIED AS FVTPL

THE GROUP

At December 31, 2012, the Group entered into several contracts of structured deposits with banks. The return and principal were not guaranteed by the relevant banks and the return was determined by reference to the performance of certain PRC government debt instruments and treasury notes. The entire contracts have been designated as at financial assets classified as FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2.3% to 4.4% per annum at December 31, 2012.

In the opinion of the directors of the Company, the fair values of the structured deposits at December 31, 2012 approximated their principal amounts. All of the structured deposits held by the Group as at December 31, 2012 and acquired in 2013 have been settled at their principal amounts together with returns which approximated the expected return in 2013.

30. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

The Group's bank balances carry interest at rates which range from 0.5% to 1.5% per annum, 0.5% to 1.5% per annum and 0.5% to 1.5% per annum as at December 31, 2011, 2012 and 2013, respectively.

During the year ended December 31, 2012, 深圳市布吉供水有限公司 (Shenzhen Buji Water Supplies Co., Ltd or "Shenzhen Buji Water Supplies") initiated a legal proceeding in Shenzhen Longgang District People's Court (the "Relevant Court") against Shenzhen Colour Life Property Management in relation to a water supply contract. The total amount RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment penalty and interest of RMB8,300,000. The Relevant Court has made a notice to a bank to freeze a bank deposit of approximately RMB997,000 of Shenzhen Colour Life Property Management to secure the payment of the water supply fee to Shenzhen Buji Water Supplies. The bank deposits of RMB997,000 were yet to unfreeze as at December 31, 2012 and December 31, 2013. Up to the date of this report, the outcome of the legal proceeding is yet to be finalized. The Group and its legal counsel are strongly resisting this claim and the amount of compensation cannot be reliably measured at this stage, accordingly, no provision for any potential liability has been made in the Financial Information. Please refer to note 45 for the disclosure of contingent liabilities.

31. TRADE AND OTHER PAYABLES AND ACCRUALS

THE GROUP

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	16,036	21,444	20,851
Other payables and accruals:			
Receipts on behalf of residents under lump sum basis.....	6,302	11,919	6,478
Receipts on behalf of residents for residential communities under consultancy services arrangement	—	—	3,327
Consideration payable related to acquisition of subsidiaries	600	2,456	—
Accrued listing expenses	—	—	20,972
Advances from customers	2,457	3,686	11,416
Deposits received	5,841	6,452	15,314
Other tax payable	7,021	10,828	13,104
Rental payable	2,345	1,550	1,399
Accrued staff costs	4,955	5,227	8,804
Provision for retirement benefit contributions	3,792	5,445	7,947
Other payables and accruals	1,099	1,727	4,626
	<u>34,412</u>	<u>49,290</u>	<u>93,387</u>
Total	<u>50,448</u>	<u>70,734</u>	<u>114,238</u>

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

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 – 60 days	11,732	13,626	13,923
61 – 180 days	1,998	3,385	2,439
181 – 365 days	1,561	2,352	2,806
Over 1 year	745	2,081	1,683
	<u>16,036</u>	<u>21,444</u>	<u>20,851</u>

THE COMPANY

	At December 31,	
	2012	2013
	RMB'000	RMB'000
Accrued listing expenses	—	20,972

32. BORROWINGS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Secured bank loans	40,000	—	—
Unsecured bank loan	—	—	377
	<u>40,000</u>	<u>—</u>	<u>377</u>
Carrying amount repayable:			
Within one year.....	40,000	—	162
More than two years, but not more than five years..	—	—	215
	<u>40,000</u>	<u>—</u>	<u>377</u>
Less: Amounts due within one year shown under current liabilities	<u>(40,000)</u>	<u>—</u>	<u>(162)</u>
Amount shown under non-current liabilities	<u>—</u>	<u>—</u>	<u>215</u>

The amounts due are based on scheduled repayment dates set out in the relevant loan agreements.

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	At December 31,		
	2011	2012	2013
Variable-rate borrowing			
Benchmark lending rate	5.31%to 6.6%	N/A	N/A
Effective interest rate	6.6%	N/A	N/A
Fixed-rate borrowing			
Effective interest rate	N/A	N/A	11.0%

All bank borrowings are denominated in RMB.

As at December 31, 2011, several investment properties held by fellow subsidiaries of the Company have been pledged to a bank in respect of the bank borrowing amounting to RMB40,000,000 granted to the Group. The pledge of assets has been released during the year ended December 31, 2012. In addition, guarantee was given by fellow subsidiaries of the Company to secure the bank borrowing at no cost and the guarantee has been released during the year ended December 31, 2012.

33. REDEEMABLE SHARES

On May 29, 2013, the Company, China Bowen Capital Management Co., Ltd. ("China Bowen"), Fantasia Holdings and Splendid Fortune Enterprise Limited ("Splendid Fortune") entered into a subscription agreement ("China Bowen Subscription Agreement"), pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares (the "China Bowen Subscription Shares") with a total subscription price of HK\$7,762,400 (equivalent to US\$1,000,000 or RMB6,177,000).

The Company has granted an option (the "Put Option") to China Bowen that in the event that an initial public offering does not complete on or before June 4, 2015 (or such later date as the Company and China Bowen may agree in writing) ("Put Option Completion Date"), China Bowen may, for a period of 30 days thereafter, by notice in writing to the Company, require the Company to purchase all the China Bowen Subscription Shares then held by China Bowen at the amount equal to the sum of the subscription amount by China Bowen plus a return calculated at the rate of 12% per annum minus any dividends or distribution and any amounts in relation to the transfer or disposal of such China Bowen Subscription Shares, received by China Bowen in relation to the China Bowen Subscription Shares.

The Company has presented the above subscription with the Put Option as a financial liability-redeemable shares. If the Company completes a qualifying initial public offering on or before June 4, 2015, the China Bowen Subscription Shares will be reclassified to share capital of the Company and the difference between par value of China Bowen Subscription Shares and the then carrying amount of the redeemable shares would be included in the share premium of the Company.

The effective interest rate of the redeemable shares is 12%, during the year ended December 31, 2013, finance cost amounting of RMB436,000 was charged to profit or loss.

34. SHARE CAPITAL

The share capital of the Group at January 1, 2011 represented the issued and fully paid share capital of Ace Link, the then holding company of the Group.

Authorized Share Capital

As of the date of incorporation, the initial authorized share capital of the Company was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each.

On June 11, 2014, the authorized share capital of the Company increased from HK\$380,000 to HK\$5,000,000,000 by the creation of an additional 49,996,200,000 shares.

Issued Share Capital

On the date of incorporation, 10,000 shares of HK\$0.10 each of the Company were allotted and issued. Fantasia Holdings was the sole shareholder of the Company on the date of incorporation.

On July 25, 2011, 10,000 shares of HK\$0.10 each of the Company were allotted and issued to Fantasia Holdings. On July 26, 2011, Fantasia Holdings and Splendid Fortune have entered into an instrument of transfer pursuant to which 6,000 shares of the Company were transferred from Fantasia Holdings to Splendid Fortune. Upon completion of such transfer, Fantasia Holdings and Splendid Fortune held 14,000 and 6,000 shares of the Company, respectively.

In May 2013, 1,386,000 and 594,000 shares of HK\$0.10 each of the Company were issued and allotted to Fantasia Holdings and Splendid Fortune respectively for a total consideration of HK\$198,000 (approximately to RMB156,000). The amount standing to the credit of the distributable reserves account of the Company in the sum of HK\$198,000 (approximately to RMB156,000) was capitalized and applied in paying up in full the 1,386,000 shares and 594,000 shares. Upon completion of such issue and allotment, Fantasia Holdings and Splendid Fortune held 1,400,000 shares and 600,000 shares, respectively.

In May 2013, the Company entered into a subscription agreement (the "First Shanghai Subscription Agreement") with the First Shanghai Securities Limited ("First Shanghai"), pursuant to which the Company agreed to issue and allot to First Shanghai, and First Shanghai agreed to subscribe for an aggregate of 69,760 shares of the Company with a total subscription price of HK\$46,574,400 (equivalent to US\$6,000,000 or RMB37,064,000).

As discussed in note 33 above, in May 2013, the Company, China Bowen, Fantasia Holdings and Splendid Fortune entered into the China Bowen Subscription Agreement, pursuant to which the Company agreed to issue and allot to China Bowen, and China Bowen agreed to subscribe for an aggregate of 13,752 ordinary shares with a total subscription price of US\$1,000,000. Such shares were accounted for as liabilities pursuant to the terms of the instruments. Please refer to note 33 above for details.

Upon completion of such issues and allotments on June 6, 2013, Fantasia Holdings, Splendid Fortune and First Shanghai held 1,400,000 shares, 600,000 shares and 69,760 shares, respectively.

All new shares rank pari passu with the then existing shares in all respects.

35. RESERVES

THE COMPANY

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
On March 16, 2011 (date of incorporation)	—	—	—
Loss for the period	—	(106)	(106)
At December 31, 2011	—	(106)	(106)
Loss for the year	—	(2)	(2)
At December 31, 2012	—	(108)	(108)
Loss for the year	—	(23,524)	(23,524)
Issue of new shares	37,058	—	37,058
Capitalization Issue	(156)	—	(156)
At December 31, 2013	<u>36,902</u>	<u>(23,632)</u>	<u>13,270</u>

36. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries

For the year ended December 31, 2011

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Huizhou Youlin Property Management	PRC	July 2011	100%	500	Provision of property management services	Expansion of property management services
Shenzhen Robert Housekeeper . . .	PRC	July 2011	51%	600	Provision of property management services	Expansion of property management services

For the year ended December 31, 2012

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Tieling Zhengnan Property Management	PRC	January 2012	51%	1,980	Provision of property management services	Expansion of property management services
Shaanxi Liantang Property Service .	PRC	July 2012	100%	800	Provision of property management services	Expansion of property management services
Heyuan Colour Life Property Management . . .	PRC	August 2012	100%	5,680	Provision of property management services	Expansion of property management services

For the year ended December 31, 2013

Name of subsidiaries acquired	Place of establishment	Acquisition on	Equity interest acquired (note 1)	Consideration	Principal activities	Objectives of acquisitions
				RMB'000		
Qinhuangdao Hongtianyuan Property Service .	PRC	January 2013	51%	2,980	Provision of property management services	Expansion of property management services
Nanjing Mingcheng Property Management . . .	PRC	January 2013	90%	5,680	Provision of property management services	Expansion of property management services
Shaanxi Colour Life Community	PRC	March 2013	51%	— (note 2)	Provision of property management services	Expansion of property management services
Tong Yuan	BVI	January 2013	100%	— (note 2)	Investment Holding	Reorganization
Nanjing Huitao Property Management	PRC	May 2013	90%	5,280	Provision of property management services	Expansion of property management services
Wuxi Taihu Property Management and its subsidiary, Wuxi Pearl Garden	PRC	June 2013	80%	3,200	Provision of property management services	Expansion of property management services
Nanjing Jingjiang Property Management	PRC	June 2013	90%	9,880	Provision of property management services	Expansion of property management services
Shanghai Xinzhou Property Management and its subsidiary, Shanghai Xinzhou Yipu	PRC	June 2013	70%	13,880	Provision of property management services	Expansion of property management services
Novel Era	Hong Kong	January 2013	100%	— (note 2)	Investment Holding	Group reorganisation

Notes:

- Pursuant to the respective shareholder agreements, for the non-wholly owned subsidiaries acquired, the Group has the right to cast over 50% of the votes at the subsidiary's shareholders' meeting since the completion of the acquisition during the Track Record Period. The shareholders' meeting of the subsidiary is the governing body which directs the relevant activities that significantly affect the returns of in each of the subsidiary acquired. The approval of the relevant activities requires simple majority of shareholders' votes. As the Group holds more than 50% of the voting power in the shareholders' meeting, therefore, the acquirees are accounted for as subsidiaries of the Company.
- The consideration was less than RMB1,000.

All the acquisitions during the three years ended December 31, 2011, 2012 and 2013 were acquired from independent third parties.

Consideration transferred

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash consideration	500	6,604	40,900
Consideration payable	600	1,856	—
	<u>1,100</u>	<u>8,460</u>	<u>40,900</u>

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

Assets and liabilities recognized at the date of acquisition

	For the year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net assets (liabilities) acquired			
Property, plant and equipment	—	42	2,856
Intangible assets	—	—	1,813
Trade receivables	58	1,053	3,425
Other receivables and prepayments (Note 1)	830	1,983	17,516
Financial assets classified as FVTPL	—	—	500
Bank balances and cash	577	1,284	12,996
Trade payables	(591)	(671)	(500)
Other payables and accruals (Note 2)	(904)	(4,807)	(31,364)
Bank borrowings	—	—	(447)
Tax liabilities	—	(11)	(398)
Deferred tax liabilities	—	—	(453)
	<u>(30)</u>	<u>(1,127)</u>	<u>5,944</u>

Notes:

- For the other receivables and prepayments recognized in the acquisitions during 2013, the balance mainly represented an amount due from a non-controlling shareholder of a subsidiary amounting to RMB13,195,000 which is interest-free, unsecured and repayable on demand.
- For other payables and accruals recognized in the acquisitions during 2013, the balance mainly represented receipts on behalf of residents under commission basis of RMB15,972,000, deposits received from customers of RMB7,869,000, advances from customers of RMB1,357,000, other taxes payable of RMB1,471,000, accrued staff costs of RMB2,386,000 and other payables and accruals of RMB2,309,000.

The trade and other receivables acquired with a fair value of approximately RMB888,000, RMB3,036,000 and RMB20,941,000 as at the date of acquisitions during the year ended December 31, 2011, 2012 and 2013, respectively, had gross contractual amounts of approximately RMB888,000, RMB3,036,000 and RMB20,941,000, respectively.

Goodwill arising on acquisitions

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Consideration transferred	1,100	8,460	40,900
Add (less): non-controlling interests	(260)	(31)	1,467
(Less) add: fair value of net identifiable liabilities (assets) acquired	30	1,127	(5,944)
Goodwill arising on acquisitions	870	9,556	36,423

Goodwill was arisen on the acquisitions of subsidiaries during the years ended December 31, 2011, 2012 and 2013, because these acquisitions included the future profitability of the acquirees' as at the acquisition dates and the anticipated future operating synergies from the acquisitions.

For the acquisitions during the years ended December 31, 2011 and 2012, the fair value of the intangible assets acquired was insignificant at the date of acquisition, and therefore, no intangible asset was recognized by the Group.

For the year ended December 31, 2013, intangible assets of RMB1,813,000 in relation to the acquisition of subsidiaries under property management segment have been recognized by the Group.

None of the goodwill arising on the acquisitions during the years ended December 31, 2011, 2012 and 2013 are expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests arising from the acquisition of Shenzhen Robert Housekeeper during the year ended December 31, 2011, Tieling Zhengnan Property Management during the year ended December 31, 2012, and Qinhuangdao Hongtianyuan Property Service, Shaanxi Colour Life Community, Nanjing Mingcheng Property Management, Nanjing Huitao Property Management, Wuxi Taihu Property Management, Nanjing Jingjiang Property Management and Shanghai Xinzhou Property Management during the year ended December 31, 2013 were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Net cash inflows (outflows) arising on acquisitions

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash consideration	(500)	(6,604)	(40,900)
Bank balances and cash acquired	577	1,284	12,996
Deposits paid in prior year	—	2,380	7,468
	<u>77</u>	<u>(2,940)</u>	<u>(20,436)</u>

Impact of acquisitions on the results of the Group

Revenue and profits attributable by the additional businesses generated by the acquirees included in the Group since the date of acquisition until the end of the year during the years ended December 31, 2011, 2012 and 2013 are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,363	1,247	11,916
Profit (loss) for the year	<u>113</u>	<u>91</u>	<u>(969)</u>

Had the above acquisitions been completed on January 1, of each respective year, the total Group's revenue and profit from the continuing operations for the years ended December 31, 2011, 2012 and 2013 would be as follow:

	Year ended December 31,		
	2011	2012	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	147,866	197,714	241,145
Profit for the year	<u>23,722</u>	<u>45,013</u>	<u>47,412</u>

The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the continuing operations of the Group for the years ended December 31, 2011, 2012 and 2013 that actually would have been achieved had the acquisitions been completed on January 1, 2011, 2012 and 2013 nor is it intended to be a projection of future results.

Summaries of significant acquisitions during the year ended December 31, 2013

Consideration transferred

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration	9,880	13,880	17,140	40,900

Asset and liabilities recognized at the date of acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,386	33	437	2,856
Intangible assets	—	1,723	90	1,813
Trade receivables	—	—	3,425	3,425
Other receivables and prepayments	613	13,603	3,300	17,516
Financial asset classified as FVTPL	—	—	500	500
Bank balances and cash	1,817	2,012	9,167	12,996
Trade payables	—	—	(500)	(500)
Other payables and accruals (Note)	(2,358)	(12,936)	(16,070)	(31,364)
Bank borrowing	—	(447)	—	(447)
Tax liabilities	—	(259)	(139)	(398)
Deferred tax liabilities	—	(431)	(22)	(453)
	<u>2,458</u>	<u>3,298</u>	<u>188</u>	<u>5,944</u>

Note:

For other payables and accruals recognized at the date of acquisition for the year ended December 31, 2013, the details are as follows:

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Receipts on behalf of residents under commission basis	1,171	8,517	6,284	15,972
Advances from customers	363	—	994	1,357
Deposits received	456	1,973	5,440	7,869
Other tax payable	110	778	583	1,471
Accrued staff costs	—	1,169	1,217	2,386
Other payables and accruals	258	499	1,552	2,309
	<u>2,358</u>	<u>12,936</u>	<u>16,070</u>	<u>31,364</u>

Goodwill arising on acquisitions during the year ended December 31,2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred	9,880	13,880	17,140	40,900
Add: non-controlling interests	246	990	231	1,467
Less: fair value of net identified assets acquired	(2,458)	(3,298)	(188)	(5,944)
Goodwill arising on acquisitions	<u>7,668</u>	<u>11,572</u>	<u>17,183</u>	<u>36,423</u>

Net cash outflows arising on acquisitions related to significant acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration	(9,880)	(13,880)	(17,140)	(40,900)
Bank balances and cash acquired	1,817	2,012	9,167	12,996
Deposits paid in prior year	—	—	7,468	7,468
	<u>(8,063)</u>	<u>(11,868)</u>	<u>(505)</u>	<u>(20,436)</u>

Impact of acquisitions on the results of the Group since the date of acquisition until the end of the year related to significant acquisitions during the year ended December 31, 2013

	Nanjing Jingjiang Property Management	Shanghai Xinzhou Property Management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	651	5,867	5,398	11,916
(Loss) profit for the year	<u>(1,844)</u>	<u>517</u>	<u>358</u>	<u>(969)</u>

*(b) Disposal of subsidiaries***For the year ended December 31, 2011**

- (1) In February 2011, the Group disposed of its 100% interests in Shenzhen Liantang Property Management to a fellow subsidiary of the Company for a consideration of RMB5,500,000. Shenzhen Liantang Property Management was engaged in provision of property management services.

The net assets of Shenzhen Liantang Property Management at disposal date were as follows:

	RMB'000
Net assets disposed of	
Other receivables	4,855
Bank balances and cash	42
Tax liabilities	(115)
	4,782
Gain on disposal of a subsidiary recognized in equity (note)	718
	5,500
Satisfied by:	
Cash consideration	5,500
Net cash inflow arising on disposal:	
Cash consideration	5,500
Less: bank balances and cash disposed of	(42)
	5,458

Note: The entire equity interest in Shenzhen Liantang Property Management was disposed of to a fellow subsidiary of the Company as part of the Reorganization, and therefore, the gain on disposal of subsidiary was recognized in equity of the Group.

- (2) In March 2011, the Group disposed of its 100% equity interests in Ningxia Hui Construction and entire 60% interest in Shenzhen Hongwei Decoration (together with its subsidiaries including Hong Kong Kangnian Trading, Shenzhen Huiheng Real Estate and Shenzhen Kangnian Technology) to a fellow subsidiary of the Company for an aggregate consideration of RMB25,000,000. The companies were primarily engaged in property development, interior design, trading and investment.

The net assets of the companies at disposal date were as follows:

	<u>RMB'000</u>
Net assets disposed of	
Property, plant and equipment	4,278
Investment properties	128,580
Deferred tax assets	42,733
Properties held for sales	278,626
Trade receivables, other receivables and prepayments	164,103
Amounts due from fellow subsidiaries	2,936,147
Restricted bank deposits	1,025
Bank balances and cash	262,091
Trade payables, other payables and accruals	(81,423)
Amounts due to fellow subsidiaries	(2,239,739)
Borrowings	(859,262)
Tax liabilities	(322,034)
	<u>315,125</u>
Loss on disposal of subsidiaries	
Consideration received	25,000
Net assets disposed of	(315,125)
Non-controlling interests	229,582
	<u>(60,543)</u>
Loss on disposal recognized in equity	<u>(60,543)</u>
Net cash outflow arising on disposal:	
Cash consideration	25,000
Less: bank balances and cash disposed of	(262,091)
	<u>(237,091)</u>

Note: The entire equity interests in the companies were disposed to a fellow subsidiary of the Company as part of the Reorganization, and therefore, the related loss on disposal of subsidiaries was recognized in equity of the Group.

Impacts on the Group's cash flows, revenue and profit for the year ended December 31, 2012 on this discontinued operation are disclosed in note 37.

For the year ended December 31, 2013

The details of disposal of subsidiaries during the year ended December 31, 2013 are as follows:

Name of subsidiaries disposed of	Place of establishment	Disposal on	Equity interest disposed	Consideration	Principal activities
				RMB'000	
Shenzhen Caiyue Hotel (Note 1)	PRC	January 2013	100%	2	Provision of hotel services
Shenzhen Caiyue Hotel Management (Note 1)	PRC	March 2013	100%	2	Investment holding
Ace Link (Note 2)	BVI	April 2013	100%	—	Investment holding
Shenzhen Robert Housekeeper (Note 1)	PRC	July 2013	51%	380	Provision of property management service
Shenzhen Colour Life Qingjie Service (Note 1)	PRC	July 2013	100%	1,250	Provision of community leasing, sales and other services

Notes:

- (1) During the year ended December 31, 2013, the Group disposed Shenzhen Caiyue Hotel, Shenzhen Caiyue Hotel Management, Shenzhen Robert Housekeeper and Shenzhen Colour Life Qingjie service to independent third parties. The net assets of the companies at disposal date were as follow:

	RMB'000
Net assets recognized at the dates of disposal	
Property, plant and equipment	725
Trade and other receivables	1,604
Bank balances and cash	1,142
Trade and other payables	(2,635)
Tax liabilities	(254)
	582
Gain on disposal of subsidiaries	
Consideration received or receivable	1,634
Net assets disposed of	(582)
Non-controlling interests	(274)
	778
Gain on disposal recognized in profit or loss	778
Satisfied by:	
Cash consideration	4
Consideration receivable	1,630
	1,634
Net cash outflow arising on disposal	
Cash consideration	4
Less: bank balances and cash disposed of	(1,142)
	(1,138)

- (2) The entire equity interests in Ace Link, together with its interests in Colour Life Service Group (HK) and Yahao Technology, were disposed to Zhao Xing Holdings, a fellow subsidiary of the Company, for a consideration of HK\$100 as part of the Reorganization and therefore, the loss on disposal of the entire interest in Ace Link amounting to RMB9,125,000, was recognized in equity.

The net assets of Ace Link at disposal date were as follows:

	<u>RMB'000</u>
Net assets recognized at the date of disposal	
Amounts due from fellow subsidiaries	9,125
Loss on disposal	
Consideration received (Note)	—
Net assets disposed of	9,125
Loss on disposal recognized in equity	<u>(9,125)</u>
Satisfied by:	
Cash consideration (Note)	—
Net cash inflow arising on disposal	
Cash consideration (Note)	<u>—</u>

Note: The cash consideration represented HK\$100.

The subsidiaries being disposed of did not contribute significantly to the Group's cash flows, revenue and profit for the year ended December 31, 2013.

37. DISCONTINUED OPERATIONS

As at December 31, 2011, the major classes of assets and liabilities attributable to the Group's continuing and discontinued operations (i.e. other property operation and hotel operation) are analyzed as follows:

As at December 31, 2011

	<u>Continuing operations</u>	<u>Hotel operation</u>	<u>Consolidated total</u>
	RMB'000	RMB'000	RMB'000
Non-Current Assets			
Property, plant and equipment	6,292	—	6,292
Investment properties	11,114	—	11,114
Interest in an associate	953	—	953
Interest in a joint venture	285	—	285
Goodwill	4,558	—	4,558
Deposits paid for acquisition of subsidiaries	4,484	—	4,484
Trade receivables	7,092	—	7,092
Other receivables and prepayment	8,832	—	8,832
Deferred tax assets	1,875	—	1,875
Total Non-current Assets	<u>45,485</u>	<u>—</u>	<u>45,485</u>
Current Assets			
Trade receivables	10,033	394	10,427
Other receivables and prepayments	19,604	332	19,936
Payments on behalf of residents	19,702	—	19,702
Amounts due from customers for contract works.....	38,510	—	38,510
Amounts due from fellow subsidiaries	302,146	—	302,146
Amount due from an associate	26	—	26
Bank balances and cash	29,238	1,419	30,657
Total Current Assets	<u>419,259</u>	<u>2,145</u>	<u>421,404</u>
Total Assets	<u>464,744</u>	<u>2,145</u>	<u>466,889</u>

	Continuing operations	Hotel operation	Consolidated total
	RMB'000	RMB'000	RMB'000
Current Liabilities			
Trade payables	15,530	506	16,036
Other payables and accruals	33,010	1,402	34,412
Receipts on behalf of residents	30,607	—	30,607
Amounts due to customers for contract works	2,002	—	2,002
Amounts due to fellow subsidiaries	249,641	—	249,641
Amount due to immediate holding company	3,091	—	3,091
Amounts due to non-controlling shareholders	828	—	828
Amount due to a joint venture	169	—	169
Borrowings due within one year	40,000	—	40,000
Tax liabilities	23,617	2,217	25,834
Total Current Liabilities	398,495	4,125	402,620
Non-Current Liabilities			
Deferred tax liabilities	556	—	556
Total Non-Current Liabilities	556	—	556
Total Liabilities	399,051	4,125	403,176

As at December 31, 2012

	Continuing operations	Hotel operation	Consolidated total
	RMB'000	RMB'000	RMB'000
Non-Current Assets			
Property, plant and equipment	10,357	—	10,357
Investment properties	12,620	—	12,620
Interest in an associate	932	—	932
Interest in a joint venture	303	—	303
Goodwill	14,114	—	14,114
Deposits paid for acquisition of subsidiaries	8,678	—	8,678
Trade receivables	9,416	—	9,416
Other receivables and prepayment	8,110	—	8,110
Deferred tax assets	2,001	—	2,001
Total Non-current Assets	66,531	—	66,531

	Continuing operations	Hotel operation	Consolidated total
	RMB'000	RMB'000	RMB'000
Current Assets			
Inventories	1,274	—	1,274
Trade receivables	21,575	—	21,575
Other receivables and prepayments	28,772	—	28,772
Payments on behalf of residents	46,089	—	46,089
Amounts due from customers for contract work	45,749	—	45,749
Amounts due from fellow subsidiaries	330,850	—	330,850
Amount due from a related party	46,250	—	46,250
Amounts due from non-controlling shareholders ...	675	—	675
Financial assets classified as FVTPL	42,200	—	42,200
Restricted bank deposits	997	—	997
Bank balances and cash	24,980	—	24,980
Total Current Assets	589,411	—	589,411
Total Assets	655,942	—	655,942
Current Liabilities			
Trade payables	21,444	—	21,444
Other payables and accruals	49,290	—	49,290
Receipts on behalf of residents	77,700	—	77,700
Amounts due to customers for contract works	616	—	616
Amounts due to fellow subsidiaries	356,778	—	356,778
Amount due to immediate holding company	3,283	—	3,283
Amounts due to non-controlling shareholders	624	—	624
Amount due to an associate	2,126	—	2,126
Amount due to a joint venture	94	—	94
Tax liabilities	31,607	—	31,607
	543,562	—	543,562
Liability associated with disposal group classified as held for sale (note)	—	2,509	2,509
Total Current Liabilities	543,562	2,509	546,071
Non-Current Liabilities			
Deferred tax liabilities	338	—	338
Amount due to a non-controlling shareholder	1,348	—	1,348
Total Non-Current Liabilities	1,686	—	1,686
Total Liabilities	545,248	2,509	547,757

Note: They included tax liabilities attributable to Shenzhen Caiyue Hotel which were classified as held for sale at December 31, 2012.

(a) For other property operation (Note)

In March 2011, the Group disposed of Ningxia Hui Construction for a consideration of RMB20,000,000, and Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huiheng Real Estate and Hong Kong Kangnian Trading for a consideration of RMB5,000,000 to a fellow subsidiary of the Company.

The results of the other property operation for the year ended December 31, 2011, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Year ended December 31,
	2011
	RMB'000
Revenue	110
Cost of sales and services	(4)
Gross Profit	106
Other income, gains and losses	7,185
Selling and distribution expenses	(16,136)
Administrative expenses	(17,211)
Changes in fair value of investment properties	(248)
Changes in fair value of investment properties upon transfer from properties held for sale	2,577
Finance costs	(13,835)
Loss before tax	(37,562)
Income tax credit	1,223
Loss for the year	<u>(36,339)</u>

Note: Ningxia Hui Construction which engaged in property construction services, and Shenzhen Hongwei Decoration, together with its subsidiaries including Shenzhen Kangnian Technology, Shenzhen Huiheng Real Estate and Hong Kong Kangnian Trading which engaged in interior design services, property development, trading and investment holding, respectively, are classified as other property operation.

Loss for the year from discontinued operations has been arrived at after charging (crediting):

	Year ended December 31,
	2011
	RMB'000
Staff's salaries and allowance	2,393
Retirement benefits scheme contributions	307
Total staff costs	2,700
Auditors' remuneration	2
Cost of properties recognized as expenses	—
Interest income	(269)
Net exchange gain	(4,305)
Depreciation of property, plant and equipment	505
Changes in fair value of investment properties	(248)
Changes in fair value of investment properties upon transfer of properties held for sale	(2,577)
Rental income from investment properties	110
Finance costs	
— Interest on bank borrowings wholly repayable within five years	13,835

Cash flows for the year ended December 31, 2011 were as follows:

	Year ended December 31,
	2011
	RMB'000
Net cash from operating activities	46,028
Net cash from investing activities	2,278,914
Net cash used in financing activities	(2,216,732)
Net cash inflows	108,210

(b) For hotel operation

In October 2012, the directors resolved to cease its hotel operation and the Group entered into a sale agreement to dispose of a subsidiary, Shenzhen Caiyue Hotel, to an independent third party. The liabilities attributable to Shenzhen Caiyue Hotel was classified as held for sale at December 31, 2012. The disposal was completed in March 2013 on which date control of Shenzhen Caiyue Hotel was passed to the acquirer.

The results of the hotel operation for the years ended December 31, 2011, 2012 and 2013, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	8,311	3,632	—
Cost of sales and services	(6,222)	(2,975)	—
Other income and other gains and losses	260	201	—
Selling and distribution expenses	(178)	(34)	—
Administrative expenses	(2,041)	(1,061)	—
Profit/(loss) before tax	130	(237)	—
Income tax expense	(247)	(292)	—
Loss for the year	(117)	(529)	—

(Loss) profit for the year from discontinued hotel operation includes the following:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Inventories recognized as cost	506	147	—
Staff's salaries and allowance	1,413	646	—
Retirement benefits scheme contributions	90	49	—
Total staff costs	1,503	695	—
Auditors' remuneration	—	—	—

Cash flows for the years ended December 31, 2011, 2012 and 2013 were as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net cash inflows (outflows) from operating activities and net cash inflows (outflows)	464	(2,669)	—

38. OPERATING LEASES*The Group as lessee*

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year			
Continuing operations	4,257	1,682	4,407
Discontinued operations (note)	2,357	1,364	—

Note: This represented the minimum lease payments from hotel operation.

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

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	3,791	2,979	3,649
Between one and five years	15,039	5,665	9,540
Over five years	8,118	281	720
	26,948	8,925	13,909

Operating lease payments represent rentals payable by the Group for certain office premises, shops and hotel buildings. Leases are negotiated and rentals are fixed for terms of two to ten years.

The Group as lessor

The Group had entered into contracts with residential communities to rent out the automation equipments 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 recognized as revenue under engineering services segment. For the automation equipments had been rented out, the committed lease terms are 5 years.

The Group entered into the lease agreements with landlords and then sub-leased the properties to various leasees and recognized the net rental charge between the landlords and tenants as revenue under community leasing, sales and other services segment. These sub-leased properties have committed tenants from 1 year to 10 years.

The Group also rented out its investment properties to independent third parties. Property rental income earned during the years ended December 31, 2011, 2012 and 2013 were RMB42,000, RMB62,000, and RMB28,000, respectively. For the investment properties that have been rented out, these investment properties have committed tenants for 3 years.

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

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	2,844	3,950	14,111
Between one and five years	10,239	11,241	31,652
over five years	2,475	2,250	1,921
	<u>15,558</u>	<u>17,441</u>	<u>47,684</u>

39. CAPITAL AND OTHER COMMITMENTS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the Financial Information	<u>4,521</u>	<u>3,627</u>	<u>—</u>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	<u>642</u>	<u>1,795</u>	<u>11,620</u>

40. RETIREMENT BENEFITS SCHEME

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of PRC. The 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 cost charged to the consolidated statements of profit or loss and other comprehensive income of RMB2,777,000, RMB5,879,000, and RMB5,943,000 for the years ended December 31, 2011, 2012 and 2013, respectively, represented contributions from the continuing operation payable to the scheme.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of RMB397,000, RMB49,000, and nil for the years ended December 31, 2011, 2012 and 2013, respectively, represent contributions from the discontinued operations payable to the scheme.

41. SUBSIDIARIES

(a) Composition of the Group

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

Principal activities	Places of incorporation/ registration/ operation	Number of wholly owned subsidiaries held by the Company		
		At December 31,		
		2011	2012	2013
Investment holding	Cayman Islands	—	2	2
	BVI	1	3	3
	Hong Kong	1	3	3
	PRC	3	3	2
Provision of property management services	PRC	2	4	4
Provision of engineering services	PRC	1	1	1
Provision of residents' community leasing, sales and other services	PRC	2	2	3
Provision of hotel services	PRC	1	1	—
		<u>11</u>	<u>19</u>	<u>18</u>
Principal activities	Places of incorporation/ registration/ operation	Number of non-wholly owned subsidiaries held by the Company		
		At December 31,		
		2011	2012	2013
Provision of property management services	PRC	2	3	10
Provision of engineering services	PRC	1	1	1
Provision of residents' community leasing, sales and other services	PRC	1	1	1
		<u>4</u>	<u>5</u>	<u>12</u>

(b) 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		
		At December 31,			For the year ended December 31,			At December 31,		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
		%	%		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Ancaihua Energy Investment	PRC	49.0	49.0	49.0	511	158	517	560	718	1,215
Shenzhen Huigang Property Management	PRC	25.0	25.0	25.0	330	333	169	726	1,059	1,252
Shenzhen Xinyanhang Real Estate	PRC	7.3	7.3	7.3	92	425	698	38	463	1,161
Shanghai Xinzhou Property Management	PRC	—	—	30.0	—	—	155	—	—	1,145
Individually immaterial subsidiaries with non-controlling interests								(260)	(303)	14
Total								1,064	1,937	4,787

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represented amounts before intragroup eliminations.

Shanghai Xinzhou Property Management

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	—	—	23,775
Non-current assets	—	—	617
Current liabilities	—	—	(19,891)
Non-current liabilities	—	—	(154)
Equity attributable to owners of the Company	—	—	3,043
Non-controlling interests	—	—	1,304

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	—	—	5,867
Expenses	—	—	(5,350)
Profit for the year	—	—	517
Profit attributable to owners of the Company	—	—	362
Profit attributable to the non-controlling interests	—	—	155
Net cash inflow from operating activities	—	—	4,253
Net cash outflow from investing activities	—	—	(84)
Net cash outflow from financing activities	—	—	(3,356)
Net cash inflow	—	—	813

Shenzhen Ancaihua Energy Investment

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	1,017	2,754	7,523
Non-current assets	1,290	1,855	3,910
Current liabilities	(910)	(1,440)	(8,389)
Non-current liabilities	(255)	(1,705)	(564)
Equity attributable to owners of the Company	582	746	1,265
Non-controlling interests	560	718	1,215

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,939	1,503	6,391
Expenses	(897)	(1,180)	(5,377)
Profit for the year	1,042	323	1,014
Profit attributable to owners of the Company	531	165	517
Profit attributable to the non-controlling interests	511	158	497
Net cash outflow from operating activities	(544)	(1,152)	(542)
Net cash outflow from investing activities	(11)	(2)	—
Net cash inflow from financing activities	532	1,440	1,722
Net cash (outflow) inflow	(23)	286	1,180

Shenzhen Huigang Property Management

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	5,571	5,583	6,599
Non-current assets	1,254	1,301	1,319
Current liabilities	(3,856)	(2,567)	(2,925)
Non-current liabilities	(66)	(82)	(82)
Equity attributable to owners of the Company	2,177	3,176	3,683
Non-controlling interests	726	1,059	1,228

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	7,021	7,191	6,992
Expenses	(5,703)	(5,860)	(6,315)
Profit for the year	1,318	1,331	677
Profit attributable to owners of the Company	988	998	508
Profit attributable to the non-controlling interests	330	333	169
Net cash inflow from operating activities	631	1,031	154
Net cash outflow from investing activities	(209)	(47)	(18)
Net cash outflow from financing activities	(1,500)	(812)	(220)
Net cash outflow	(1,078)	(266)	(84)

Shenzhen Xinyanhang Real Estate

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	4,238	14,531	24,722
Non-current assets	706	591	935
Current liabilities	(4,433)	(8,822)	(9,857)
Non-current liabilities	—	—	(2)
Equity attributable to owners of the Company	473	5,837	14,637
Non-controlling interests	38	463	1,161

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	6,197	10,760	13,818
Expenses	(4,952)	(4,971)	(4,321)
Profit for the year	1,245	5,789	9,497
Profit attributable to owners of the Company	1,153	5,363	8,799
Profit attributable to the non-controlling interests	92	425	698
Net cash (outflow) inflow from operating activities	(1,339)	4,953	7,826
Net cash outflow from investing activities	(158)	(481)	(261)
Net cash inflow (outflow) from financing activities	1,008	(4,314)	(6,533)
Net cash (outflow) inflow	(489)	158	1,032

42. RELATED PARTY DISCLOSURES

(a) Names and relationships with related parties during the Track Record Period are as follows:

Name	Principal Activities	Relationship
Immediate holding company		
Fantasia Holdings	Investment holding	Immediate holding company
Fellow subsidiaries		
Chengdu Fantasia Property Service Company Limited* 成都市花樣年物業服務有限公司 (“Chengdu Fantasia Property Service”)	Property management services	A subsidiary of Fantasia Holdings
Chengdu Huabali Real Estate Company Limited* 成都花百里置業有限公司 (“Chengdu Huabali Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Huaqianli Real Estate Company Limited* 成都花千里置業有限公司 (“Chengdu Huaqianli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Huawanli Real Estate Company Limited* 成都花萬里置業有限公司 (“Chengdu Huawanli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Jiurong Property Development Limited* 成都九蓉房地產開發有限公司 (“Chengdu Jiurong Property Development”)	Property development	A subsidiary of Fantasia Holdings
Chengdu Noah Ark Industrial Company Limited* 成都諾亞舟實業有限公司 (“Chengdu Noah Ark Industrial”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Chengdu Tonghe Real Estate Company Limited* 成都通和置業有限公司 (“Chengdu Tonghe Real Estate”)	Property development and investment	A subsidiary of Fantasia Holdings
Chengdu Xinjin Youbang Property Development Company Limited* 成都新津友幫房地產開發有限責任公司 (“Chengdu Xinjin Youbang”)	Property development	A subsidiary of Fantasia Holdings
Dongguan Fantasia Investment Development Company Limited* 東莞市花樣年投資發展有限公司 (“Dongguan Fantasia Investment Development”)	Property development	A subsidiary of Fantasia Holdings
Dongguan Huaqianli Property Development Co., Ltd.* 東莞市花千里房地產開發有限公司 (“Dongguan Huaqianli Property Development”)	Property development	A subsidiary of Fantasia Holdings
Fantasia (Chengdu) Ecological Tourism Development Company Limited* 花樣年(成都)生態旅遊開發有限公司 (“Fantasia (Chengdu) Ecological Tourism”)	Property development	A subsidiary of Fantasia Holdings
Fantasia Group (China)*	Investment holding	A subsidiary of Fantasia Holdings
Fantasia Industrial (Chengdu) Development Company Limited* 花樣年實業發展(成都)有限公司 (“Fantasia Industrial (Chengdu) Development”)	Investment holding	A subsidiary of Fantasia Holdings
Fantasia Investment Holdings Company Limited* 香港花樣年投資控股集團有限公司 (“Fantasia Investment Holdings”)	Investment holding	A subsidiary of Fantasia Holdings
Guilin Juhao Property Development Company Limited* 桂林聚豪房地產開發有限公司 (“Guilin Juhao Property Development”)	Property development	A subsidiary of Fantasia Holdings
Huizhou Huiyang Huaqianli Industries Co., Ltd.* 惠州市惠陽區花千里實業有限公司 (“Huizhou Huiyan Huaqianli”)	Property development	A subsidiary of Fantasia Holdings
Jiangsu Dongfa Real Estate Co., Ltd.* 江蘇東發置業有限公司 (“Jiangsu Dongfa Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Joytime Investment Limited 悅泰投資有限公司 (“Joytime Investment”)	Investment holding	A subsidiary of Fantasia Holdings
Nanjing Fantasia Property Development Limited* 南京花樣年房地產開發有限公司 (“Nanjing Fantasia Property Development”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Shenzhen Fantasia Business Management Company Limited* 深圳花樣年商業管理有限公司 (“Shenzhen Fantasia Business Management”)	Provision of property management services	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Investment Company Limited* 深圳花樣年投資有限公司 (“Shenzhen Fantasia Investment”)	Investment holding	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Property Group Limited* 深圳市花樣年地產集團有限公司 (“Shenzhen Fantasia Property Group”)	Investment holding, property development and investment holding	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Property Service Company Limited* 深圳市花樣年物業服務有限公司 (“Shenzhen Fantasia Property Service”)	Property management services	A subsidiary of Fantasia Holdings
Shenzhen Gaohua Investment Co., Ltd.* 深圳市高華投資有限公司 (“Shenzhen Gaohua Investment”)	Property development	A subsidiary of Fantasia Holdings
Shenzhen Hongwei Decoration	Interior design service	A subsidiary of Fantasia Holdings
Shenzhen Fantasia Hotel Management	Hotel services	A subsidiary of Fantasia Holdings
Shenzhen Huaqianli Real Estate Investment Development Company Limited* 深圳市花千里房地產開發有限公司 (“Shenzhen Huaqianli Real Estate”)	Property development	A subsidiary of Fantasia Holdings
Shenzhen Huiheng Real Estate	Property Development	A subsidiary of Fantasia Holdings
Shenzhen Kangnian Technology	Property development and investment	A subsidiary of Fantasia Holdings
Shenzhen Liantang Property Management	Property development	A subsidiary of Fantasia Holdings
Shenzhen Xingyan Property Consultancy	Property operation services	A subsidiary of Fantasia Holdings
Shenzhen Zhifu Property Development Company Limited* 深圳置富房地產開發有限公司 (“Shenzhen Zhifu Property Development”)	Property development and investment	A subsidiary of Fantasia Holdings
Sichuan Ximei Investment Company Limited* 四川西美投資有限公司 (“Sichuan Ximei”)	Property development	A subsidiary of Fantasia Holdings
Suzhou Fantasia Property Development Limited* 蘇州花樣年房地產開發有限公司 (“Suzhou Fantasia Property Development”)	Property development	A subsidiary of Fantasia Holdings
Suzhou Huawanli Property Development Company Limited* 蘇州花萬里房地產開發有限公司 (“Suzhou Huawanli Property Development”)	Property development	A subsidiary of Fantasia Holdings

Name	Principal Activities	Relationship
Tianjin Huawanli Property Development Company Limited* 天津花萬里房地產開發有限公司 ("Tianjin Huawanli Property Development")	Property development	A subsidiary of Fantasia Holdings
Tianjin Huaqianli Property Development Company Limited* 天津花千里房地產開發有限公司 ("Tianjin Huaqianli Property Development")	Property development	A subsidiary of Fantasia Holdings
Tianjin Songhuajiang Fantasia Real Estate Company Limited* 天津松江花樣年置業有限公司 ("Tianjin Songjiang Fantasia Real Estate")	Property development	A subsidiary of Fantasia Holdings
Tianjin Xintang Property Management Company Limited* 天津新塘物業管理有限公司 ("Tianjin Xintang Property Management")	Property management services	A subsidiary of Fantasia Holdings
Wuxi Fantasia Property Development Company Limited* 無錫花樣年房地產開發有限公司 ("Wuxi Fantasia Property Development")	Property development	A subsidiary of Fantasia Holdings
Yahao Technology (Note)	Investment holding	A subsidiary of Fantasia Holdings
Note: Yahao Technology is classified as a fellow subsidiary of the Group since April 30, 2013 after it was disposed of by the Group in April 2013.		
Joint Venture		
Guilin Tongji	Provision of engineering services	A joint venture of the Company
Associate		
Shenzhen Yuezhong Property Management	Property management services	An associate of the Company
Other related parties		
Ai Yong* 艾永	N/A	A non-controlling shareholder of a subsidiary
Huidong Dayawan San Jiao Zhou Co., Ltd.* 惠東縣大亞灣三角洲俱樂部有限公司 ("Huidong Dayawan San Jiao Zhou")	Hotel operations	Entity controlled by Ms. Zeng Jie, Baby

Name	Principal Activities	Relationship
Qinhuangdao Hongtianyuan Property Service Limited Company No. 1 Branch* (秦皇島市宏添源物業服務有限公司) (“Qinhuangdao Hongtianyuan Property Service Limited Company No. 1 Branch”)	Property management services	A non-controlling shareholder of a subsidiary
Jiangji Property Management No. 1 Company* 錦江物業第一分公司 (“Jiangji Property Management No. 1 Company”)..	Property Management Services	A non-controlling shareholder of a subsidiary
Liu Li and Liu Tong* 劉莉及劉同	N/A	A non-controlling shareholder of a subsidiary
Mu Xiaoming* 慕曉明	N/A	A non-controlling shareholder of a subsidiary
Mao Yiqing* 毛逸清.....	N/A	A non-controlling shareholder of a subsidiary
Zhang Hua* 張華	N/A	A non-controlling shareholder of a subsidiary
Shenzhen City Anmeihua Lighting Co., Ltd.* 深圳市安美華照明有限公司 (“Anmeihua Lighting”)	Engineering services	A non-controlling shareholder of a subsidiary
Shenzhen Huangyi Industry Co., Ltd.* equity 深圳市環益實業有限公司 (“Shenzhen Huangyi”)	Property management service	A non-controlling shareholder of a subsidiary
Tieling Zhengnan Property Development Co., Ltd.* 鐵嶺正南房地產開發公司 (“Tieling Zhengnan Property Development”)	Property development	A non-controlling shareholder of a subsidiary
Wu Tao* 吳濤	N/A	A non-controlling shareholder of a subsidiary

* The English name is for identification purpose only.

(b) Related party balances

At the end of each reporting period, the Group and the Company have the following significant balances with related parties:

The Group

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due from immediate holding company			
Fantasia Holding	—	—	1
Amounts due from fellow subsidiaries			
Non-trade nature			
Chengdu Fantasia Property Service	298	—	—
Fantasia Group (China)	11,699	13,198	984
Fantasia Investment Holdings	—	77,772	—
Huizhou Huiyang Huaqianli	—	—	178
Shenzhen Fantasia Investment	77,388	—	—
Shenzhen Hongwei Decoration	109,750	133,500	—
Shenzhen Huaqianli Real Estate	72,000	72,000	—
Shenzhen Kangnian Technology	—	—	25,000
Shenzhen Liantang Property Management	14	—	—
Shenzhen Zhifu Property Development	25,000	25,000	—
Tianjin Xintang Property Management	1,266	2,674	3,215
	<u>297,415</u>	<u>324,144</u>	<u>29,377</u>
Trade nature			
Chengdu Huabali Real Estate	24	49	49
Chengdu Jiurong Property Development	—	25	25
Chengdu Xinjin Youbang	—	—	479
Dongguan Fantasia Investment Development	—	90	90
Fantasia (Chengdu) Ecological Tourism	292	307	589
Huizhou Huiyang Huaqianli	—	144	23
Jiangsu Dongfa Real Estate	571	112	285
Nanjing Fantasia Property Development	129	171	404
Tianjin Songjiang Fantasia Real Estate	3,715	4,815	—
Shenzhen Huiheng Real Estate	—	—	35
Sichuan Ximei	—	101	209
Suzhou Fantasia Property Development	—	892	588
	<u>4,731</u>	<u>6,706</u>	<u>2,776</u>
	<u>302,146</u>	<u>330,850</u>	<u>32,153</u>
Amounts due from non-controlling shareholders			
Shenzhen Huangyi	—	453	—
Ai Yong	—	222	—
Mao Yiqing	—	—	12,145
Zhang Hua	—	—	918
	<u>—</u>	<u>675</u>	<u>13,063</u>

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 to 30 days	1,901	1,472	669
31 to 90 days	1,345	1,000	922
91 to 180 days	866	2,125	—
181 to 365 days	595	307	646
Over 1 year	24	1,802	539
	<u>4,731</u>	<u>6,706</u>	<u>2,776</u>

Included in the Group's amounts due from fellow subsidiaries are trade debtors with aggregate carrying amount of RMB2,830,000, RMB5,234,000 and RMB2,107,000 at December 31, 2011, 2012 and 2013, respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of past due but not impaired trade amounts due from fellow subsidiaries

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 to 60 days	1,345	1,000	922
61 to 150 days	866	2,125	—
151 to 335 days	595	307	646
Over 336 days	24	1,802	539
	<u>2,830</u>	<u>5,234</u>	<u>2,107</u>

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to fellow subsidiaries			
Non-trade nature			
Fantasia Industrial (Chengdu) Development	12	—	—
Chengdu Tonghe Real Estate	20,000	20,000	—
Fantasia Investment Holdings	129	120	9,700
Shenzhen Fantasia Business Management	—	74,000	—
Shenzhen Fantasia Hotel Management	—	110,000	—
Shenzhen Fantasia Investment	—	—	16,349
Shenzhen Fantasia Property Group	—	—	10
Shenzhen Gaohua Investment	45,000	70,000	—
Shenzhen Kangnian Technology	130,000	27,505	—
Shenzhen Zhifu Property Development	—	653	—
Wuxi Fantasia Property Development	54,500	54,500	—
Yahao Technology	—	—	10,660
	<u>249,641</u>	<u>356,778</u>	<u>36,719</u>
Amount due to immediate holding company			
Fantasia Holdings	3,091	3,283	1,428
	<u>3,091</u>	<u>3,283</u>	<u>1,428</u>

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to non-controlling shareholders			
Current			
Anmeihua Lighting	431	423	815
Shenzhen Huanyi	397	—	—
Tieling Zhengnan Property Development	—	100	100
Mu Xiaoming	—	101	549
Wu Tao	—	—	345
	<u>828</u>	<u>624</u>	<u>1,809</u>
Non-current			
Mu Xiaoming (Note)	—	1,348	781
Liu Li and Liu Tong	—	—	310
	<u>—</u>	<u>1,348</u>	<u>1,091</u>
Amount due to an associate			
Shenzhen Yuezhong Property Management	—	2,126	2,387

Note:

Amount due to Mr Mu Xiaoming is non-trade in nature, unsecured, bears interest of 8.9% per annum and matures during the year ending December 31, 2020.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due to a joint venture			
Guilin Tongji	<u>169</u>	<u>94</u>	<u>94</u>

Except for amount due to Mu Xiaoming, the amounts due to the above related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

The Company

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amount due to a fellow subsidiary:			
— Fantasia Investment Holdings	<u>106</u>	<u>729</u>	<u>1,631</u>
Amounts due to fellow subsidiaries:			
— Tong Yuan	—	—	1
— Colour Cloud Holdings	—	—	315
— Colour Pay Treasure	—	—	315
	<u>—</u>	<u>—</u>	<u>631</u>
Amount due from a subsidiary			
— Novel Era	<u>—</u>	<u>—</u>	<u>35,231</u>

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

The directors represented that the related parties balances would be fully settled upon the listing of the Company's shares on the Stock Exchange.

(c) *Related parties transactions*

In addition to the pledge of assets and guarantee provided by related parties in note 33, the acquisition and disposal of subsidiaries between the Group and the fellow subsidiaries in note 37(a) and 37(b) and the Reorganization in note 2, the Group entered into the following significant transactions with related parties:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Engineering services income (Note 1)			
<i>Fellow subsidiaries:</i>			
Chengdu Huabaili Real Estate	7	3,263	5
Chengdu Huaqianli Real Estate	13	91	—
Chengdu Huawanli Real Estate	633	7	—
Chengdu Jiurong Property Development	3,576	4,039	68
Chengdu Noah Ark Industrial	—	—	3,585
Chengdu Tonghe Real Estate	229	68	163
Chengdu Xinjin Youbang	391	227	10
Dongguan Fantasia Investment Development	1,960	467	1
Dongguan Huaqianli Property Development	48	1,829	585
Fantasia (Chengdu) Ecological Tourism	178	1,289	—
Huizhou Huiyan Huaqianli	558	1,938	340
Nanjing Fantasia Property Development	—	—	1,435
Shenzhen Fantasia Investment	245	21	—
Shenzhen Huiheng	—	—	192
Shenzhen Zhifu Property Development	—	1	—
Sichuan Ximei	1,302	2,685	1
Suzhou Huawanli Property Development	1,737	1,639	426
Tianjin Huaqianli Property Development	—	—	2,760
Tianjin Huawanli Property Development	10	2,321	140
Tianjin Songjiang Fantasia Real Estate	8,356	3,125	1,555
Wuxi Fantasia Property Development	115	1,591	3,717
	<u>19,358</u>	<u>24,601</u>	<u>14,983</u>

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property management services income (Note 2)			
<i>Fellow subsidiaries:</i>			
Dongguan Fantasia Investment Developmet.....	2,232	3,339	1,347
Dongguan Huaqianli Property Development.....	952	1,822	1,074
Nanjing Fantasia Property Development.....	129	1,956	2,802
Suzhou Fantasia Property Development.....	—	1,436	2,386
Jiangsu Dongfa Real Estate.....	571	1,667	1,140
Wuxi Fantasia Property Development.....	75	—	—
Tianjin Huaqianli Property Development.....	—	—	1,623
Tianjin Huawanli Property Development.....	493	2,344	—
Guilin Juhao Property Development.....	293	1,479	2,065
Huizhou Huiyang Huaqianli.....	1,397	1,972	178
Shenzhen Fantasia Property Group.....	396	—	—
	<u>6,538</u>	<u>16,015</u>	<u>12,615</u>
Management service fee income (Note 3)			
An associate:			
Shenzhen Yuezhong Property Management.....	26	52	175
<i>Other related party:</i>			
Huidong Dayawan San Jiao Zhou.....	980	612	784
Interest expense (Note 4)			
Other related party:			
Mu Xiaoming.....	—	83	136
Purchase of investment properties (Note 5)			
<i>Fellow subsidiaries:</i>			
Chengdu Huabaili Real Estate.....	603	—	—
Chengdu Huaqianli Real Estate.....	648	—	—
Tianjin Songjiang Fantasia Real Estate.....	—	3,715	—
	<u>1,251</u>	<u>3,715</u>	<u>—</u>

Notes:

- The transactions represented the provision of engineering services, e.g. installation of electrical system, energy-saving lighting/water pump systems to related parties. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The transactions represented the provision of property management services provided to fellow subsidiaries in relation to the residential communities managed by the fellow subsidiaries. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The transaction represented the provision of management service provided to Shenzhen Yuezhong Property Management and Huidong Dayawan San Jiao Zhou. The transactions were entered into in accordance with the terms agreed by the relevant parties.
- The interest expense was arisen from the loan advanced from a non-controlling shareholder to a subsidiary of the Company, Mu Xiaoming. The transaction was entered into in accordance with the terms agreed by the relevant parties.
- The transactions represented the purchase of investment properties from various fellow subsidiaries of the Group. The transactions were entered into in accordance with the market value of the investment properties agreed by the relevant parties.

In the opinion of directors, all the transactions are expected to be continued after the listing of the Company's shares on the Stock Exchange.

(d) *Compensation of key management personnel*

The remuneration of key management personnel during the Track Record Period was as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	1,667	1,654	2,208
Post employment benefits	118	138	168
Share-based payments	74	167	370
	<u>1,859</u>	<u>1,959</u>	<u>2,746</u>

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

43. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2011 and 2013 pursuant to the agreements entered into between the Group's certain fellow subsidiaries and independent third parties, all of which are customers of the Group, these customers agreed to dispose of their investment 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 Track Record Period are as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables due from:			
Fellow subsidiaries	1,251	—	8,657
Independent third party customers	1,176	—	1,904
	<u>2,427</u>	<u>—</u>	<u>10,561</u>

44. SHARE OPTION SCHEME

The share option scheme (the "Scheme") of Fantasia Holdings was adopted pursuant to a resolution passed on October 27, 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 August 28, 2021 and October 15, 2022. Under the Scheme, the Board of Directors of Fantasia Holdings is authorized to grant options at a consideration of HK\$1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("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. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings's share capital or with a value in excess of HK\$5 million must be approved in advance by Fantasia Holdings's 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 Scheme.

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's 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 December 31, 2011, 2012 and 2013, the total number of shares to be issued upon the exercise of all options granted under the Scheme to the directors and employees of the Company is 7,460,000, 17,190,000 and 17,190,000 of HK\$0.1 each, representing approximately 0.1%, 0.3% and 0.3% of the issued share capital of Fantasia Holdings at December 31, 2011, 2012 and 2013.

Details of the share options granted under the Scheme during the years ended December 31, 2011, 2012 and 2013 is as follows:

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period
Directors of Fantasia Holdings (Note 1)	August 29, 2011	HK\$0.836	08/29/2012–08/28/2021	08/29/2011–08/28/2012
			08/29/2013–08/28/2021	08/29/2011–08/28/2013
			08/29/2014–08/28/2021	08/29/2011–08/28/2014
	October 16, 2012	HK\$0.8	10/16/2013–10/15/2022	10/16/2012–10/15/2013
			10/16/2014–10/15/2022	10/16/2012–10/15/2014
			10/16/2015–10/15/2022	10/16/2012–10/15/2015

APPENDIX I
ACCOUNTANTS' REPORT

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period
Employees of Fantasia Holdings (Note 2)	August 29, 2011	HK\$0.836	08/29/2012–08/28/2021	08/29/2011–08/28/2012
			08/29/2013–08/28/2021	08/29/2011–08/28/2013
			08/29/2014–08/28/2021	08/29/2011–08/28/2014
	October 16, 2012	HK\$0.8	10/16/2013–10/15/2022	10/16/2012–10/15/2013
			10/16/2014–10/15/2022	10/16/2012–10/15/2014
			10/16/2015–10/15/2022	10/16/2012–10/15/2015

The following table discloses movements of Fantasia Holdings's share options held by employees and directors of the Group during the years ended December 31, 2011, 2012 and 2013:

Category of Grantees	Date of grant	Exercisable period	Vesting period	Outstanding at January 1, 2010 and December 31, 2010	Granted during 2011 and outstanding at December 31, 2011	Granted during 2012	Outstanding at December 31, 2012 and 2013
Directors of the Company (note)	August 29, 2011	08/29/2012 – 08/28/2021	08/29/2011 – 08/28/2012	—	634,000	—	634,000
		08/29/2013 – 08/28/2021	08/29/2011 – 08/28/2013	—	1,268,000	—	1,268,000
		08/29/2014 – 08/28/2021	08/29/2011 – 08/28/2014	—	4,438,000	—	4,438,000
	October 16, 2012	10/16/2013 – 10/15/2022	10/16/2012 – 10/15/2013	—	—	861,000	861,000
		10/16/2014 – 10/15/2022	10/16/2012 – 10/15/2014	—	—	1,722,000	1,722,000
		10/16/2015 – 10/15/2022	10/16/2012 – 10/15/2015	—	—	6,027,000	6,027,000
			—	6,340,000	8,610,000	14,950,000	
Employees of the Company	August 29, 2011	08/29/2012 – 08/28/2021	08/29/2011 – 08/28/2012	—	112,000	—	112,000
		08/29/2013 – 08/28/2021	08/29/2011 – 08/28/2013	—	224,000	—	224,000
		08/29/2014 – 08/28/2021	08/29/2011 – 08/28/2014	—	784,000	—	784,000
	October 16, 2012	10/16/2013 – 10/15/2022	10/16/2012 – 10/15/2013	—	—	112,000	112,000
		10/16/2014 – 10/15/2022	10/16/2012 – 10/15/2014	—	—	224,000	224,000
		10/16/2015 – 10/15/2022	10/16/2012 – 10/15/2015	—	—	784,000	784,000
			—	1,120,000	1,120,000	2,240,000	
Total				—	7,460,000	9,730,000	17,190,000
Exercisable at the end of the year/period				—	—	—	746,000

Note: Mr. Pan Jun and Mr. Lam Kam Tong are directors of both Fantasia Holdings and the Company, the related share-based payment expenses are borne by Fantasia Holding and not allocated to the Company.

The closing price of the shares on the date of grant was HK\$0.82 at August 29, 2011 and HK\$0.77 at October 16, 2012. Binomial Option Pricing Model has 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 best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	<u>October 16, 2012</u>	<u>August 29, 2011</u>
Market price	HK\$0.770	HK\$0.820
Exercise price	HK\$0.800	HK\$0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.195%	4.878%

During the years ended December 31, 2011 and 2012, the estimated fair value of the options at the date of grant to the directors and employees of the Company is approximately RMB1,029,000 and 1,946,000, respectively.

The Group recognized the total expense of approximately RMB74,000, RMB167,000 and RMB370,000 for the years ended December 31, 2011 and 2012 and 2013, respectively in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

45. CONTINGENT LIABILITY

During the year ended December 31, 2012, Shenzhen Buji Water Supplies initiated a legal proceeding against Shenzhen Colour Life Property Management, a subsidiary of the Group, in relation to a water supply contract dispute for a compensation of RMB10,900,000, which included alleged non-payment of RMB2,600,000 and alleged late payment of RMB8,300,000. Up to the date of this report, the procedure of the first instance at Shenzhen Longguan Court has finished, however, the outcome of this legal proceeding is yet to be finalised. With reference to the current situation and based on a legal advice obtained by the Group, the Directors have assessed the issue and considered the amount of compensation cannot be reliably measured at this stage, accordingly, the directors consider no provision is required.

B. EVENTS AFTER THE REPORTING PERIOD

The following transactions took place subsequent to December 31, 2013:

On June 11, 2014, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in Writing of the Shareholders of Our Company Passed on June 11, 2014" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company be increased from HK\$380,000 to HK\$5,000,000,000 by the creation of 49,996,200,000 new shares of HK\$0.10 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and

- (iii) following the change in authorised share capital as referred to in paragraph (i) and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the Global Offering, the Directors of the Company were authorized to capitalize HK\$74,791,648.80 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 747,916,488 shares. Such shares to be allotted and issued to the shareholders whose names are on the register of members of the Company on the date before the listing date of the Company in proportion to their shareholdings in the Company; and so that the shares be allotted and issued, pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares and the directors were authorised to give effect to such capitalisation.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong