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COLOUR LIFE SERVICES GROUP CO., LIMITED
彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

HIGHLIGHTS

- During the Period, the total revenue increased by approximately 0.7% to approximately RMB1,792.2 million from approximately RMB1,778.9 million for the same period of 2020.
- During the Period, profit attributable to owners of the Group increased by approximately 5.8% to approximately RMB250.2 million from approximately RMB236.4 million in the same period of 2020.
- As at 30 June 2021, the Group's net operating cash flows increased by approximately 142.0% to approximately RMB538.6 million from approximately RMB222.6million in the same period of 2020.
- As at 30 June 2021, the Group's total interest-bearing debt balance was approximately RMB2,336.8 million (31 December 2020: approximately RMB2,529.6 million), representing a decrease of approximately 7.6%.
- As at 30 June 2021, the Group's Total Contracted GFA was 564.9 million square meters.

The board (the “**Board**”) of directors (the “**Directors**”) of Colour Life Services Group Co., Limited 彩生活服務集團有限公司 (the “**Company**” or “**Colour Life**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>NOTES</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue from services	3	1,792,202	1,778,874
Cost of services		(1,208,263)	(1,197,449)
Gross profit		583,939	581,425
Other income		26,012	38,347
Other gains and losses		14,233	(5,461)
Impairment losses under expected credit loss model, net of reversal		(13,319)	(23,845)
Selling and distribution expenses		(15,465)	(6,546)
Administrative expenses		(188,498)	(187,996)
Expenses recharged to residential communities under commission basis		34,672	40,210
Finance costs		(96,371)	(87,972)
Change in fair value of investment properties		1,791	(687)
Share of results of associates		1,268	301
Share of results of joint ventures		(1,657)	(6,146)
Profit before tax		346,605	341,630
Income tax expense	4	(93,132)	(95,394)
Profit for the period	5	253,473	246,236

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2021 (Continued)

		Six months ended 30 June	
		2021	2020
	<i>NOTE</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income (“FVTOCI”)		(7,173)	2,820
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		1,793	(705)
		<u>1,793</u>	<u>(705)</u>
Other comprehensive income (expense) for the period, net of income tax		<u>(5,380)</u>	<u>2,115</u>
Total comprehensive income for the period		<u>248,093</u>	<u>248,351</u>
Profit for the period attributable to:			
Owners of the Company		250,165	236,440
Non-controlling interests		3,308	9,796
		<u>253,473</u>	<u>246,236</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		244,785	238,555
Non-controlling interests		3,308	9,796
		<u>248,093</u>	<u>248,351</u>
Earnings per share – basic (RMB cents)	7	<u>17.20</u>	<u>16.62</u>
Earnings per share – diluted (RMB cents)	7	<u>17.20</u>	<u>16.62</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

		30 June 2021	31 December 2020
	<i>NOTE</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		162,058	181,905
Right-of-use assets		95,306	95,204
Investment properties		147,167	147,351
Interests in associates		31,375	61,046
Interests in joint ventures		102,205	103,862
Equity instruments designated at FVTOCI		107,995	115,168
Goodwill		2,317,252	2,317,252
Intangible assets		884,574	953,461
Contract assets		6,733	14,572
Other receivables	8	3,557	4,986
Loan receivables		2,112	1,761
Deferred tax assets		77,884	85,932
Amount due from a related party		65,591	68,889
Deposits paid for potential acquisition of subsidiaries		10,653	10,653
		<u>4,014,462</u>	<u>4,162,042</u>
Current Assets			
Contract assets		71,477	48,986
Trade receivables	8	639,518	546,989
Other receivables and prepayments	8	688,705	751,151
Loan receivables		30,547	224,188
Payments on behalf of residents		1,002,743	1,050,618
Amounts due from related parties		752,157	899,766
Pledged/restricted bank deposits		113,820	154,118
Bank balances and cash		2,712,539	2,458,579
		<u>6,011,506</u>	<u>6,134,395</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021 (Continued)

	NOTE	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current Liabilities			
Trade payables	9	546,067	405,567
Other payables and accruals	9	875,806	804,521
Contract liabilities		553,653	516,500
Receipts on behalf of residents		321,258	362,189
Lease liabilities due within one year		9,572	7,898
Amounts due to related parties		258,520	604,003
Tax liabilities		261,441	239,896
Borrowings due within one year		497,500	436,181
Senior notes and bonds		876,489	1,552,688
Asset-backed securities issued due within one year		7,271	20,206
		<u>4,207,577</u>	<u>4,949,649</u>
Net Current Assets		<u>1,803,929</u>	<u>1,184,746</u>
Total Assets Less Current Liabilities		<u>5,818,391</u>	<u>5,346,788</u>
Non-current Liabilities			
Deferred tax liabilities		222,093	252,937
Deferred consideration	9	32,242	–
Lease liabilities due after one year		18,788	18,929
Borrowings due after one year		955,560	520,500
Total Non-current Liabilities		<u>1,228,683</u>	<u>792,366</u>
Net Assets		<u><u>4,589,708</u></u>	<u><u>4,554,422</u></u>
Capital and Reserves			
Share capital		118,036	118,036
Reserves		4,274,259	4,231,605
Equity attributable to owners of the Company		<u>4,392,295</u>	4,349,641
Non-controlling interests		<u>197,413</u>	<u>204,781</u>
Total Equity		<u><u>4,589,708</u></u>	<u><u>4,554,422</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

Transition and summary of effects

As at 30 June 2021, the Group has several financial liabilities, including borrowings amounting to RMB956,242,000, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the period ended 30 June 2021			
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	1,501,578	–	–	1,501,578
Pre-delivery services	18,062	–	–	18,062
Commission basis	90,528	–	–	90,528
Consultancy services fee	2,702	–	–	2,702
	<u>1,612,870</u>	<u>–</u>	<u>–</u>	<u>1,612,870</u>
<i>Value-added services</i>				
Online promotion services	–	39,400	–	39,400
Sales and rental assistance	–	86,318	–	86,318
Other value-added services	–	19,497	–	19,497
	<u>–</u>	<u>145,215</u>	<u>–</u>	<u>145,215</u>
<i>Engineering services</i>				
Equipment installation services	–	–	18,196	18,196
Repair and maintenance services	–	–	8,848	8,848
Energy-saving service fees	–	–	7,073	7,073
	<u>–</u>	<u>–</u>	<u>34,117</u>	<u>34,117</u>
	<u>1,612,870</u>	<u>145,215</u>	<u>34,117</u>	<u>1,792,202</u>
Timing of revenue recognition				
A point in time	–	86,318	–	86,318
Over time	1,612,870	58,897	34,117	1,705,884
	<u>1,612,870</u>	<u>145,215</u>	<u>34,117</u>	<u>1,792,202</u>

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

	For the period ended 30 June 2021					
	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)	518,138	421,622	494,679	247,291	178,506	1,860,236
Elimination	(18,093)	(18,042)	(18,877)	(6,028)	(6,994)	(68,034)
Revenue from contracts with customers and total revenue	<u>500,045</u>	<u>403,580</u>	<u>475,802</u>	<u>241,263</u>	<u>171,512</u>	<u>1,792,202</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the period ended 30 June 2020			
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	1,437,287	–	–	1,437,287
Pre-delivery services	26,922	–	–	26,922
Commission basis	89,796	–	–	89,796
Consultancy services fee	5,645	–	–	5,645
	<u>1,559,650</u>	<u>–</u>	<u>–</u>	<u>1,559,650</u>
<i>Value-added services</i>				
Online promotion services	–	42,707	–	42,707
Sales and rental assistance	–	82,483	–	82,483
Other value-added services	–	26,731	–	26,731
	<u>–</u>	<u>151,921</u>	<u>–</u>	<u>151,921</u>
<i>Engineering services</i>				
Equipment installation services	–	–	52,027	52,027
Repair and maintenance services	–	–	8,915	8,915
Energy-saving service fees	–	–	6,361	6,361
	<u>–</u>	<u>–</u>	<u>67,303</u>	<u>67,303</u>
	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>
Timing of revenue recognition				
A point in time	–	82,483	–	82,483
Over time	1,559,650	69,438	67,303	1,696,391
	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>

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

	For the period ended 30 June 2020					
	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)	522,165	425,302	493,714	248,931	174,197	1,864,309
Elimination	(25,188)	(22,649)	(20,403)	(8,116)	(9,079)	(85,435)
Revenue from contracts with customers and total revenue	<u>496,977</u>	<u>402,653</u>	<u>473,311</u>	<u>240,815</u>	<u>165,118</u>	<u>1,778,874</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2021						
(Unaudited)						
Segment revenue	<u>500,045</u>	<u>403,580</u>	<u>475,802</u>	<u>241,263</u>	<u>171,512</u>	<u>1,792,202</u>
Segment profit	<u>100,989</u>	<u>108,563</u>	<u>124,184</u>	<u>45,599</u>	<u>48,195</u>	427,530
Changes in fair value of investment properties						1,791
Share of results of associates						1,268
Share of results of joint ventures						(1,657)
Impairment losses on amount due from a joint venture and loan receivables						(6,423)
Finance costs						(96,371)
Interest income						5,942
Share-based payment expenses						(1,330)
Exchange gain						19,937
Other unallocated expenses						<u>(4,082)</u>
Profit before tax						<u>346,605</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2020						
(Unaudited)						
Segment revenue	<u>496,977</u>	<u>402,653</u>	<u>473,311</u>	<u>240,815</u>	<u>165,118</u>	<u>1,778,874</u>
Segment profit	<u>118,387</u>	<u>106,153</u>	<u>124,659</u>	<u>43,737</u>	<u>45,578</u>	438,514
Changes in fair value of investment properties						(687)
Changes in fair value of financial assets at FVTPL						240
Share of results of associates						301
Share of results of joint ventures						(6,146)
Impairment losses on amount due from a joint venture and loan receivables						(4,736)
Finance costs						(87,972)
Interest income						18,471
Exchange loss						(9,172)
Share-based payment expenses						(3,349)
Other unallocated expenses						<u>(3,834)</u>
Profit before tax						<u>341,630</u>

Segment assets and liabilities

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue and results from major services

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

	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
For the period ended 30 June 2021 (Unaudited)				
Revenue from major services	<u>1,612,870</u>	<u>145,215</u>	<u>34,117</u>	<u>1,792,202</u>
Profit from major services	<u>293,899</u>	<u>126,773</u>	<u>6,858</u>	<u>427,530</u>
For the period ended 30 June 2020 (Unaudited)				
Revenue from major services	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>
Profit from major services	<u>290,557</u>	<u>134,888</u>	<u>13,069</u>	<u>438,514</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	(114,135)	(119,464)
Deferred tax		
Credit to profit and loss	<u>21,003</u>	<u>24,070</u>
	<u>(93,132)</u>	<u>(95,394)</u>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs	638,472	647,149
Government grant	(6,121)	(9,368)
Partial exemption of PRC value-added tax	(11,273)	(10,268)
Exchange (gain) loss	(19,937)	9,172
Loss on disposal of associates	4,939	–
Loss on disposal of property, plant and equipment, net	128	50
Amortisation of intangible assets	68,887	68,887
Depreciation of property, plant and equipment	32,424	28,693
Depreciation of right-of-use assets	<u>5,588</u>	<u>3,895</u>

6. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2020 of RMB8.73 cents (2020: final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents) per share was declared.

Subsequent to 30 June 2021, RMB36,371,000 (2020: RMB26,112,000) were paid to the owners of the Company in cash and dividend amount of RMB90,639,000 (2020: RMB101,921,000) were paid to the shareholders in form of new fully paid shares of the Company.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>250,165</u>	<u>236,440</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,454,868</u>	<u>1,422,746</u>

For the periods ended 30 June 2021 and 2020, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	703,455	605,610
Less: allowance for credit losses	<u>(63,937)</u>	<u>(58,621)</u>
	<u>639,518</u>	<u>546,989</u>
Other receivables and prepayments:		
Refundable deposits	401,327	434,281
Advances to staffs	87,033	85,331
Prepayments to suppliers	104,107	101,705
Consideration receivables for disposal of subsidiaries and associates	26,000	1,849
Receivables for residential and commercial units rental assistance services on behalf of customers	15,613	17,746
Receivables from former shareholders of subsidiaries	4,498	8,310
Others	<u>53,684</u>	<u>106,915</u>
	<u>692,262</u>	<u>756,137</u>
	<u>1,331,780</u>	<u>1,303,126</u>
Classified as:		
Non-current		
Other receivables	<u>3,557</u>	<u>4,986</u>
Current		
Trade receivables	639,518	546,989
Other receivables and prepayments	<u>688,705</u>	<u>751,151</u>
	<u>1,328,223</u>	<u>1,298,140</u>
	<u>1,331,780</u>	<u>1,303,126</u>

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 30 days	181,555	164,835
31 – 90 days	190,985	143,029
91 – 180 days	122,944	104,276
181 – 365 days	99,873	93,005
Over 1 year	44,161	41,844
	<hr/> 639,518 <hr/>	<hr/> 546,989 <hr/>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	<u>546,067</u>	<u>405,567</u>
Other payables and accruals:		
Deposits received	292,543	293,424
Accrued staff costs	161,984	254,474
Provision for social insurance contributions	113,999	103,844
Other tax payables	93,983	76,513
Consideration payables for acquisition of additional equity interests in subsidiaries	57,336	2,776
Dividend payables	127,010	–
Rental payable	1,733	1,707
Other payables and accruals	<u>59,460</u>	<u>71,783</u>
	<u>908,048</u>	<u>804,521</u>
	<u>1,454,115</u>	<u>1,210,088</u>
Classified as:		
Non-current		
Deferred consideration	<u>32,242</u>	–
Current		
Trade payables	546,067	405,567
Other payables and accruals	<u>875,806</u>	<u>804,521</u>
	<u>1,421,873</u>	<u>1,210,088</u>
	<u>1,454,115</u>	<u>1,210,088</u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 60 days	339,857	254,251
61 – 180 days	158,432	109,287
181 – 365 days	30,777	27,091
Over 1 year	17,001	14,938
	<hr/> 546,067 <hr/>	<hr/> 405,567 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading property management and community services provider in China, focuses on setting up offline and online service platform via the internet technology and effectively linking the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the smallest social component of the city, the services provided by the property management companies are essential in creating a stable and convenient living environment for the residents of the community and promoting the development of the society. The Group strives to meet the basic living needs of the residents through providing Four Basic services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of the residents of the community, the Group also promotes smart community construction by proactively utilizing the emerging technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance the Group's service efficiency in providing high quality property management services to the residents. The Group has established a powerful head office digital "cloud" system, which minimised the dependency on function and scope of "management" and strengthened the service capacity of the "terminal", so as to organise effective community services. For instance, the Group has built the Big Dipper system, by implementing the order-oriented modification on the seven major functions of E-Parking, E-Lift, E-Energy, E-Cleaning, E-Decoration, E-Payment and E-Complaint, the Group has gradually divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

In addition to its efforts in refining the basic businesses, the Group has classified the projects managed by it into various service levels based on different charging standards, set standards for equipment modification and services and provided well-oriented service experiences, so as to satisfy customers' demand for performance-price ratio in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of steadily increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship between the residents as well as between the residents and the property management staff and enrich the residents' off-work life and spiritual culture, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for the residents, and push forward the establishment of our unique community culture brand, so as to enhance the residents' trust in the Group. The improvement of our relationship with the residents also laid a solid foundation for our effort to further expand community consumption scenarios.

The Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will carry out following up works and seek feedbacks relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges.

Since JD.com and 360.com invested in the Group as shareholders, JD.com and the Group will engage in extensive cooperation in community-based services, establishing front-end warehouses, logistics distribution and enhancement of platform experience. At the same time, based on the technological experience accumulated by 360.com in the field of core security, the Group will cooperate with 360.com in aspects like security, Internet of Things and artificial intelligence. Through the cooperation with JD.com and 360.com to explore "community +" strategy, the online and offline operation capabilities of Colour Life will be further enhanced to improve the living experience of property owners, so as to create a smart community combining humanitarian care, harmony and technology for property owners.

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's Contracted GFA. Property developers will issue an occupation notification to property buyers after the properties are sold. Upon receipt of such notification, the property buyers will be obliged to settle property management fees. This part of Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Contracted GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area under the consultancy services contracts will be incorporated into the Group's Consultancy GFA. Aforementioned Contracted GFA and Consultancy GFA of the Group are collectively referred to as Total Contracted GFA.

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience and expansion capability, as at 30 June 2021, the Total Contracted GFA of the Group had reached 564.9 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,817. As at 30 June 2021, the area of the Group's revenue-bearing GFA reached 359.4 million sq.m..

While proactively expanding service area, the Group made great efforts to establish and upgrade its community service platform, in an effort to meet the daily needs of the residents and provide them with quality and efficient property management services. In addition to building caring communities, the Group explored various consumption scenarios, product innovation and new business models, with an aim to provide residents with various value-added services, making property management services a much more important part of the owner's domestic life.

The Group also continued to explore various value-added services under the community scenario, expanded the property management scenario portfolio, and provided customised products and services for the residents based on market demands and resident needs. For instance, based on the extensive resident base of the Group and the parking lot management scenario, the Group proactively explored the auto insurance sales business. By establishing the headquarter-to-headquarter communication mechanism with the insurance companies, the Group strived to improve service efficiency and reduce the selection costs and purchase costs of the residents. In addition, the Group continued to develop and strengthen online platform technology, paving the path for connection with the system of the insurance companies, which enabled the Group to have real-time understanding of the business development and claim settlement data and monitor the quality of community-based products in a dynamic manner, so as to provide residents with quality customer services and claim settlement services. In doing so, the Group was able to increase the interaction frequency between the property management company and the residents, enhance the royalty between the property management company and the residents, and improve the recognition of the residents towards its basic property management services and value-added services.

As at 30 June 2021, the locations of communities where the Group provided management and consultancy services are set out as follows:



Southern China	Eastern China	106	Qufu	151	Wuzhou	Northwestern China	Central China
1 Shenzhen	54 Changzhou	107	Maanshan	152	Bijie	188 Xi'an	230 Changsha
2 Dongguan	55 Dongtai	108	Yixing	153	Emeishan	189 Yinchuan	231 Xinxiang
3 Foshan	56 Gaoyou	109	Taizhou	154	Leshan	190 Lanzhou	232 Yiyang
4 Fuzhou	57 Huai'an	110	Yuyao	155	Liupanshui	191 Hancheng	233 Zhengzhou
5 Ganzhou	58 Jiangyin	111	Zhuji	156	Qiandongnan	192 Xining	234 Wuhan
6 Guangzhou	59 Jurong	112	Heze		Miao and Dong	193 Yulin	235 Chenzhou
7 Heyuan	60 Lianyungang	113	Huangshan		Autonomous	194 Baoji	236 Kaifeng
8 Huizhou	61 Nanjing	114	Ledong		Prefecture	195 Ankang	237 Anyang
9 Jingdezhen	62 Nantong	115	Tongling	157	Qinzhou	196 Pingliang	238 Xiangyang
10 Nanchang	63 Shanghai	116	Anqing	158	Wenshan	197 Hanzhong	239 Jingmen
11 Nankang	64 Suzhou			159	Yulin	198 Weinan	240 Puyang
12 Putian	65 Wuxi	Southwestern China		160	Yibin	199 Urumqi	241 Yichang
13 Qingyuan	66 Wuhu	117 Chengdu		161	Meitan	200 Bayannur	242 Yueyang
14 Shangrao	67 Yancheng	118 Liuzhou		162	Xishuangbanna	201 Yili Prefecture	243 Zhangjiajie
15 Yangjiang	68 Yangzhou	119 Dali		163	Meishan	202 Jincheng	244 Zhuzhou
16 Yichun	69 Changshu	120 Guilin		164	Qiannan Buyi and	203 Yan'an	245 Huixian
17 Yingtan	70 Kunshan	121 Nanning			Miao Autonomous	204 Xianyang	246 Luohe
18 Zhongshan	71 Xuzhou	122 Zigong			Prefecture	205 Pengyang	247 Xiangtan
19 Zhuhai	72 Hangzhou	123 Chongzuo		165	Qianxinan Buyi and	206 Yangling	248 Huanggang
20 Xiamen	73 Chuzhou	124 Baise			Miao Autonomous	207 Nanchong	249 Changde
21 Shaoguan	74 Huzhou	125 Guigang		166	Prefecture		250 Jingzhou
22 Heshan	75 Fuyang	126 Zunyi				Northern China	251 Loudi
23 Quanzhou	76 Jiaxing	127 Guiyang				207 Beijing	252 Luoyang
24 Sanming	77 Linyi	128 Fangchenggang		Northeastern China		208 Qinhuangdao	253 Wugang
25 Zhangzhou	78 Yantai	129 Deyang		167 Gaizhou		209 Tianjin	254 Suizhou
26 Nanxiong	79 Zhenjiang	130 Guang'an		168 Harbin		210 Shijiazhuang	255 Nanyang
27 Longyan	80 Zibo	131 Laibin		169 Huludao		211 Baotou	256 Xinyang
28 Jiujiang	81 Bengbu	132 Lijiang		170 Shenyang		212 Tongliao	257 Shangqiu
29 Nanping	82 Hefei	133 Mianyang		171 Tieling		213 Wuhai	258 Enshi
30 Xinyu	83 Jinjing	134 Pingnan		214 Taiyuan		214 Taiyuan	259 Jiaozuo
31 Zhaoqing	84 Lu'an	135 Suining		215 Tangshan		215 Tangshan	260 Xiangfan
32 Haikou	85 Qingdao	136 Tongren		216 Hulunbuir		216 Hulunbuir	261 Hengyang
33 Danzhou	86 Shaoxing	137 Yizhou		217 Ulanqab		217 Ulanqab	262 Jiyuan
34 Fuzhou	87 Taicang	138 Chongqing		218 Changchun		218 Changchun	263 Qianjiang
35 Shantou	88 Wenzhou	139 Ziyang		219 Panjin		219 Panjin	264 Zhoukou
36 Zhanjiang	89 Jinan	140 Anshun		220 Dalian		220 Dalian	265 Zhumadian
37 Jinggangshan	90 Suqian	141 Beihai		221 Mudanjiang		221 Changzhi	266 Xiaogan
38 Fengcheng	91 Tai'an	142 Guanghan		222 Jixi		222 Hohhot	267 Shaoyang
39 Ji'an	92 Heze	143 Kunming		223 Qiqihar		223 Xingtai	268 Pingdingshan
40 Meizhou	93 Huaibei	144 Guangyuan		224 Daqing		224 Chengde	269 Shiyan
41 Zhangping	94 Jinhua	145 Neijiang		225 Jiamusi		225 Cangzhou	270 Huaihua
42 Sanya	95 Liaocheng	146 Duyun		226 Fusong		226 Xinzhou	271 Yihua
43 Ruijin	96 Taizhou	147 Fuquan		227 Fushun		227 Luliang	272 Jishou
44 Wenchang	97 Taihe	148 Longli		228 Dandong		228 Rengqiu	273 Yongzhou
45 Pingxiang	98 Zaozhuang	149 Majiang		229 Chifeng		229 Hengshui	274 Ruzhou
46 Zhangshu	99 Weifang	150 Bazhong					275 Ezhou
47 Jinjiang	100 Dongying						276 Xianning
48 Fuqing	101 Dezhou						277 Jingshan
49 Jiangmen	102 Ningbo						278 Huangshi
50 Baoting Li and Miao	103 Shouguang						279 Yingcheng
Autonomous County	104 Xinyi						
51 Qionghai	105 Rizhao						
52 Maoming							
53 Chaozhou							

As at 30 June 2021, the following table sets out the GFA and the number of communities where the Group provided management and consultancy services in different regions as at the dates indicated below:

	As at 30 June 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy's service arrangements	
	GFA	Number of communities	GFA	Number of communities	GFA	Number of communities	GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
Shenzhen	9,364	120	727	16	9,441	124	727	16
Southern China (excluding Shenzhen)	93,688	577	2,126	8	91,781	571	2,126	8
Eastern China	143,703	935	2,583	8	143,701	939	2,453	7
Southwestern China	100,047	378	967	3	99,271	373	967	3
Northeastern China	20,333	86	1,498	5	20,821	94	1,498	5
Northwestern China	16,783	88	3,506	2	16,729	87	3,506	2
Northern China	36,873	152	150	2	36,791	152	150	2
Central China	132,307	436	300	1	133,123	457	300	1
Total ⁽¹⁾	<u>553,098</u>	<u>2,772</u>	<u>11,857</u>	<u>45</u>	<u>551,658</u>	<u>2,797</u>	<u>11,727</u>	<u>44</u>

Note:

(1) As at 30 June 2021, the Group's Total Contracted GFA reached 564.9 million sq.m..

As at 30 June 2021, the Group managed 2,772 communities with an aggregate contracted GFA of approximately 553.1 million sq.m. and entered into consultancy service contracts with 45 communities with an aggregate contracted GFA of approximately 11.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of the GFA and the number of communities where the Group provided management and consultancy services during the reporting period:

	As at 30 June 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy's service arrangements	
	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
As at the beginning of the year	551,658	2,797	11,727	44	550,104	2,815	11,925	48
New engagements ⁽¹⁾	6,185	39	130	1	7,665	45	-	-
Acquisition ⁽²⁾	-	-	-	-	-	-	-	-
Termination ⁽³⁾	(4,745)	(64)	0	0	(6,111)	(63)	(198)	(4)
As at the end of the year	<u>553,098</u>	<u>2,772</u>	<u>11,857</u>	<u>45</u>	<u>551,658</u>	<u>2,797</u>	<u>11,727</u>	<u>44</u>

Notes:

- (1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group expanded its Managed GFA through acquisitions and gained synergy after the acquisition.
- (3) The contracted GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

BUSINESS OVERVIEW

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for regional property management companies; and
- Value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; and (iii) other value-added services; and
- Engineering services, which primarily include: (i) equipment installation services; (ii) repair and maintenance services; (iii) energy-saving renovation services.

Scope of Services for Property Management Services

As at 30 June 2021, the Group employed over 54,185 on-site personnel (including staffs employed by the Group and the staffs outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2021		As at 31 December 2020	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.4-11.4	1.8-16.9	0.4-11.4	1.8-16.9
Southern China (excluding Shenzhen)	0.5-5.9	0.7-16.9	0.5-5.9	0.7-16.9
Eastern China	0.4-17.0	1.1-16.0	0.4-17.0	1.1-16.0
Southwestern China	0.5-6.1	0.3-25.0	0.5-6.1	0.3-25.0
Northeastern China	0.4-3.3	2.0-18.0	0.4-3.3	2.0-18.0
Northwestern China	0.5-4.0	1.4-22.7	0.5-4.0	1.4-22.7
Northern China	0.7-5.5	1.2-25.0	0.7-5.5	1.2-25.0
Central China	0.6-5.3	0.9-16.9	0.6-5.3	0.9-16.9

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

Property Management Services under Commission Basis

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

Property Management Services under Lump Sum Basis

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

Pre-delivery Services

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

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience and making its brand more widely known, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future. As at 30 June 2021, the Group provided consultancy services for 45 communities and the Consultancy GFA was 11.9 million sq.m..

Scope of Services for Value-added Services

Adhering to the value and concept of “Service to Your Family”, the Group has been focusing on providing diversified value-added services for community property owners. With 19 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management and consultancy services, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

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

Online promotion services

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

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges property agents on every successful referral and generates revenue from authorizing property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

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

Scope of Services for Engineering Services

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

Engineering services provide a safe and comfortable environment for property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the Big Dipper strategy.

In recent years, the Group continued to carry out the Internet-based smart transformation to the projects under its management. Focusing on the property owners’ multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle licence recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, and enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group’s cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group’s management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up the results.

The Group’s engineering services primarily include (i) equipment installation services; (ii) repair and maintenance services; and (iii) energy-saving renovation services.

Equipment installation services

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

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

In recent years, as part of the development of Colour Life Parking Lots sales business, the Group also offers intelligent improvement services to property developers' parking lots which improves the quality of properties delivered to property owners.

Repair and maintenance services

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

Energy-saving renovation services

The Group renders energy-saving renovation services to communities, for which it provides management and consultancy services, including the installation of energy-saving devices. By installing and using cutting-edge energy saving equipment, the Group helps communities reduce their energy consumption.

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the Period, total revenue slightly increased by 0.7% from approximately RMB1,778.9 million for the corresponding period of 2020 to approximately RMB1,792.2 million.

	For the six months ended 30 June				Variance	
	2021		2020		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Property management services	1,612,870	90.0%	1,559,650	87.7%	53,220	3.4%
Value-added services	145,215	8.1%	151,921	8.5%	(6,706)	(4.4%)
Engineering services	34,117	1.9%	67,303	3.8%	(33,186)	(49.3%)
Total revenue	<u>1,792,202</u>	<u>100.0%</u>	<u>1,778,874</u>	<u>100.0%</u>	<u>13,328</u>	<u>0.7%</u>

Property Management Services

For the Period, revenue from property management services increased by approximately 3.4% from approximately RMB1,559.7 million for the corresponding period of 2020 to approximately RMB1,612.9 million for the Period. Breakdown of revenue from property management services are as below:

	For the six months ended 30 June				Variance	
	2021		2020		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Property management service fees on lump sum basis	1,501,578	83.8%	1,437,287	80.8%	64,291	4.5%
Property management service fees on commission basis	90,528	5.0%	89,796	5.1%	732	0.8%
Pre-delivery services	18,062	1.0%	26,922	1.5%	(8,860)	(32.9%)
Property management consultancy service fees	2,702	0.2%	5,645	0.3%	(2,943)	(52.1%)
Total of property management service fees	<u>1,612,870</u>	<u>90.0%</u>	<u>1,559,650</u>	<u>87.7%</u>	<u>53,220</u>	<u>3.4%</u>

Such changes were mainly attributable to:

- An increase in revenue from property management services under lump sum basis and commission basis by approximately RMB64.3 million and approximately RMB0.7 million, respectively, which were mainly due to the conversion of certain pre-delivery services projects into property management projects under lump sum basis or commission basis upon the delivery of properties to property buyers/residents by the property developers;
- A decrease in pre-delivery services by approximately RMB8.9 million, which was mainly because the pre-delivery services provided by the Group decreased after delivery of the properties and property management services income were recorded instead;
- A decrease in property management services under consultancy services arrangement by approximately RMB2.9 million, which was mainly due to the expiry of certain consultancy services agreements.

Value-added Services

For the Period, revenue from value-added services decreased by 4.4% from approximately RMB151.9 million for the corresponding period of 2020 to approximately RMB145.2 million for the Period. Breakdown of revenue from value-added services are as below:

	For the six months ended 30 June				Variance	
	2021		2020		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Sales and rental assistance	86,318	4.8%	82,483	4.6%	3,835	4.6%
Online promotion services	39,400	2.2%	42,707	2.4%	(3,307)	(7.7%)
Other value-added services	19,497	1.1%	26,731	1.5%	(7,234)	(27.1%)
Total of value-added service fees	<u>145,215</u>	<u>8.1%</u>	<u>151,921</u>	<u>8.5%</u>	<u>(6,706)</u>	<u>(4.4%)</u>

The decrease in revenue from value-added services was mainly attributable to:

- (a) A increase in revenue from sales and rental assistance by approximately RMB3.8 million, which was due to the promotion of sales services and the recovery in sales volume of properties during the Period;
- (b) A decrease in revenue from online promotion services by approximately RMB3.3 million, which mainly due to the decrease in revenue from relevant commission from online investments;
- (c) A decrease in revenue from other value-added services by approximately RMB7.2 million, which was mainly due to the Group's business transformation.

Engineering Services

For the Period, revenue from engineering services was approximately RMB34.1 million, representing a decrease of approximately RMB33.2 million or 49.3% as compared to that of the corresponding period of 2020. Breakdown of revenue from engineering services are as below:

	For the six months ended 30 June				Variance	
	2021		2020			
	Amount	% of total	Amount	% of total	Amount	%
	RMB'000	revenue	RMB'000	revenue	RMB'000	
Revenue						
Equipment installation service fees	18,196	1.0%	52,027	2.9%	(33,831)	(65.0%)
Repair and maintenance service fees	8,848	0.5%	8,915	0.5%	(67)	(0.8%)
Energy-saving service fees	7,073	0.4%	6,361	0.4%	712	11.2%
Total of engineering services fees	34,117	1.9%	67,303	3.8%	(33,186)	(49.3%)

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

- A decrease in revenue from equipment installation services by approximately RMB33.8 million, which was mainly due to the decrease in transaction volume under Colour Life Parking Lots model and the corresponding decrease in intelligent improvement services accordingly;
- Revenue from repair and maintenance services for the Period amounting to approximately RMB8.8 million, which basically remained in line with the amounts of corresponding period of 2020;
- Revenue from energy-saving services for the Period amounting to approximately RMB7.1 million, representing a slight increase of RMB0.7 million as compared to that of the corresponding period of 2020.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the Period, cost of services increased by approximately RMB10.8 million or 0.9% from approximately RMB1,197.4 million for the corresponding period of 2020 to approximately RMB1,208.3 million. The increase in cost of services was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

For the Period, the overall gross profit increased by approximately RMB2.5 million or 0.4% to approximately RMB583.9 million from approximately RMB581.4 million for the corresponding period of 2020.

The overall gross profit margin for the Period was 32.6%, representing a slight decrease of 0.1 percentage point as compared to 32.7% for the corresponding period of 2020.

(i) Property Management Services

For the Period, the gross profit of property management services increased by approximately RMB30.5 million from approximately RMB417.5 million for the corresponding period of 2020 to approximately RMB448.0 million for the Period and the gross profit margin increased by 1.0 percentage point from 26.8% for 2020 to 27.8% for the Period.

(ii) Value-added Services

For the Period, the gross profit of value-added services decreased by approximately RMB16.4 million from approximately RMB143.5 million for the corresponding period of 2020 to approximately RMB127.1 million for the Period and gross profit margin decreased by 6.9 percentage points from 94.4% for the corresponding period of 2020 to 87.5% for the Period, which was mainly due to the Group's business transformation.

(iii) Engineering Services

For the Period, the gross profit of engineering services decreased by approximately RMB11.7 million from approximately RMB20.5 million for the corresponding period of 2020 to approximately RMB8.8 million for the Period, which was mainly due to the Group's efforts to reduce engineering services which has a lower profit margin, and the gross profit margin decreased by 4.7 percentage points from 30.4% for the corresponding period of 2020 to 25.7% for the Period, which was mainly due to the increase in cost relating to intelligent improvement services.

Other Gains and Losses

For the Period, the Group recorded other gains of approximately RMB14.2 million, representing an increase of approximately RMB19.7 million from a loss of approximately RMB5.5 million for the corresponding period of 2020. Such change was primarily due to the exchange gain of approximately RMB19.9 million arisen from certain borrowings and USD senior notes as the USD was depreciated during the Period, while the Group recorded exchange loss of approximately RMB9.2 million for the corresponding period of 2020.

Other Income

For the Period, the Group's other income amounted to approximately RMB26.0 million, representing a decrease of approximately 32.2% from approximately RMB38.3 million for the corresponding period of 2020. The change was primarily attributable to (i) the decrease in interest income of approximately RMB12.5 million; and (ii) the decrease in government grants and value-added tax refunds of approximately RMB2.2 million during the Period.

Selling and Distribution Expenses

For the Period, the Group's selling and distribution expenses increased by approximately RMB8.9 million from approximately RMB6.5 million for the corresponding period of 2020 to RMB15.5 million for the Period. The increase was mainly due to the increase in commission from payment for the sales activities.

Administrative Expenses

The Group's administrative expenses slightly increased by approximately 0.3% from approximately RMB188.0 million for the corresponding period of 2020 to approximately RMB188.5 million for the Period.

Expenses Recharged to Residential Communities under Commission Basis

For the Period, the Group's expenses recharged to residential communities managed under commission basis amounted to approximately RMB34.7 million, representing a decrease of approximately RMB5.5 million or 13.8% as compared to approximately RMB40.2 million for the corresponding period of 2020. The recharged amount is based on the administrative time cost spent on the communities managed under commission basis. The administrative hours incurred by regional executives and allocated to the communities decreased due to the streamlining of the workforce as a result of adjustment to the organisation structure of the Company.

Finance Costs

For the Period, the Group's finance costs amounted to approximately RMB96.4 million, representing an increase of approximately RMB8.4 million or approximately 9.5% from approximately RMB88.0 million for the corresponding period of 2020. The increase was mainly due to the higher level of average debts for the Period as compared to those for the corresponding period of 2020.

Income Tax Expenses

The Group's income tax expenses decreased by 2.4% from approximately RMB95.4 million for the corresponding period of 2020 to approximately RMB93.1 million for the Period, which was primarily attributable to the exchange gain of approximately RMB19.9 million arisen from offshore company which was not subjected to income tax.

Intangible Assets

As at 30 June 2021, the carrying amount of intangible assets held by the Group was approximately RMB884.6 million (31 December 2020: approximately RMB953.5 million). The amortisation of intangible assets was approximately RMB68.9 million for the year.

Goodwill

As at 30 June 2021 and 31 December 2020, the carrying amount of goodwill was remained at RMB2,317.3 million, thus there were no impairment on goodwill during the Period.

Bank Balances and Cash

As at 30 June 2021, the Group's total cash increased by 10.3% to approximately RMB2,712.5 million from approximately RMB2,458.6 million as at 31 December 2020. The increase in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB538.6 million generated from operating activities; (ii) net cash inflows of approximately RMB360.7 million generated from investing activities; and (iii) net cash outflows of approximately RMB640.3 million used in financing activities.

Trade and Other Receivables and Prepayments

Trade receivables primarily comprised of the management and services income charged under lump sum basis in respect of property management services, engineering services and value-added services.

As at 30 June 2021, trade receivables of the Group net of the allowance for credit losses, amounted to approximately RMB639.5 million, representing an increase of approximately RMB92.5 million or 16.9% as compared to approximately RMB547.0 million as at 31 December 2020, which was mainly due to an increase in trade receivable balance as at 30 June 2021 as compared to those as at 31 December 2020 caused by the unsettled property management fees as a result of better collection record of trade receivables by the property company for the second half of the year than that for the first half of the year given the seasonality of the property management industry.

Other receivables and prepayments decreased by approximately RMB63.8 million from approximately RMB756.1 million as at 31 December 2020 to approximately RMB692.3 million as at 30 June 2021. The decrease was primarily attributable to a decrease in refundable deposits paid to business partners and suppliers of approximately RMB33.0 million.

Payments/Receipts on Behalf of Residents

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

Trade and Other Payables and Accruals

Trade and other payables primarily comprise of payables to the Group's sub-contractors for property management services and engineering services, advance from customers, deposits received, accrued staff costs, other tax payables and other payables and accruals, details of which are as follows:

- (1) Trade payables increased from approximately RMB405.6 million as at 31 December 2020 to approximately RMB546.1 million as at 30 June 2021, primarily due to the increase in payment to the Group's suppliers during the Period.
- (2) Other payables and accruals increased from approximately RMB804.5 million as at 31 December 2020 to approximately RMB908.0 million as at 30 June 2021, which were primarily due to (i) dividend payables of approximately RMB127.0 million recognised during the Period; (ii) a decrease in staff cost payables of approximately RMB92.5 million as a result of payment of staff cost that provided previously but not paid in the Period; and (iii) an increase of approximately RMB54.6 million in the consideration payable caused by the Group's acquisition of the minority interest in Darwin.

Senior Notes and Bonds

As at 30 June 2021, the carrying amount of the Group's senior notes amounted to approximately RMB876.5 million (31 December 2020: approximately RMB1,552.7 million).

The outstanding senior notes as at 30 June 2021 have been repaid in full upon maturity in July 2021.

Asset-backed Securities Issued

The Group repaid principal and interests in accordance with the agreements. As at 30 June 2021, the carrying amount of the Group's asset-backed securities issued were approximately RMB7.3 million (31 December 2020: approximately RMB20.2 million).

In August 2016, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) (“**Shenzhen Colour Life**”) issued asset-backed securities due August 2021 with an aggregate principal amount of approximately RMB300 million. As at 30 June 2021, the carrying amount was approximately RMB7.3 million and was classified as current liabilities as at 30 June 2021.

Share Capital

As at 30 June 2021, the total number of issued shares of the Company was approximately 1,454,868,000 (31 December 2020: approximately 1,454,868,000) and the share capital was approximately RMB118.0 million (31 December 2020: approximately RMB118.0 million).

Cash Position

As at 30 June 2021, the Group's total cash (including pledged bank deposits) increased by approximately 8.2% from approximately RMB2,612.7 million as at 31 December 2020 to approximately RMB2,826.4 million. Among the total cash, bank deposits of approximately RMB113.8 million (31 December 2020: approximately RMB154.1 million) were pledged or restricted.

The financial position remained stable. As at 30 June 2021, the current ratio (current assets/current liabilities) of the Group was approximately 1.4 (31 December 2020: approximately 1.2).

Borrowings and Charges on the Group's Assets

As at 30 June 2021, the Group had bank and other borrowings of approximately RMB1,453.1 million (31 December 2020: approximately RMB956.7 million), of which the borrowings of approximately RMB1,428.1 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, and the remaining borrowings of approximately RMB25.0 million were unsecured.

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and bonds, asset-backed securities issued, after deduction of bank balances and cash and pledged/restricted bank deposits) over the total equity. As at 30 June 2021, the total of bank balances and cash and pledged/restricted bank deposits amounting to approximately RMB2,826.4 million exceeded the total debt amounting to approximately RMB2,336.8 million, thus no net gearing ratio was presented as at 30 June 2021. As at 31 December 2020, no net gearing ratio was presented neither.

Currency Risk

The Group mainly operates its business in China. Other than certain borrowings and senior notes denominated in foreign currency, the Group does not have any other material direct exposure to foreign exchange fluctuations risk.

During the year, the Group recorded a net exchange gain of approximately RMB19.9 million.

Employees and Remuneration Policies

As at 30 June 2021, excluding the employees for communities under commission basis, the Group had approximately 13,755 employees (31 December 2020: approximately 14,459 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

INTERIM DIVIDEND

The Board had resolved that no interim dividend shall be paid for the Period (six months ended 30 June 2020: nil).

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board of directors of the Company that shareholders can maximise their benefits from good corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the six months ended 30 June 2021, the Board has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors and employees (the "**Securities Dealing Code**"). The Company has made specific enquiry to all Directors and all Directors confirmed that they have complied with the requirements set out in the Model Code for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Tam Chun Hung, Anthony (Chairman of the Audit Committee), Mr. Xu Xinmin and Mr. Zhu Wuxiang. The Audit Committee has reviewed the unaudited interim results for the Period. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Senior Notes

On 25 February 2020, the Company issued senior notes due 2021 with principal amount of USD100,000,000 at a coupon rate of 8% per annum (the “**8% Senior Notes Due 2021**”) for the purpose of refinancing certain of its indebtedness. The 8% Senior Notes Due 2021 have been fully repaid upon its maturity in February 2021.

Asset-backed securities

In August 2016, Shenzhen Colour Life issued asset-backed securities due 2021 with an aggregate principal amount of approximately RMB300 million. During the six months ended 30 June 2021, the Company has repaid the principal in an aggregate amount of approximately RMB12,980,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.colourlife.hk). The 2021 interim report of the Company will be available at the aforesaid websites and will be dispatched to the Company's shareholders thereafter in due course.

For and on behalf of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
PAN Jun
Chairman and Executive Director

Hong Kong, 25 August 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. PAN Jun, Mr. CHEN Xinyu and Mr. ZHU Guogang as executive directors; Mr. WU Qingbin, Mr. ZHENG Hongyan and Ms. SUN Dongni as non-executive directors; and Mr. TAM Chun Hung, Anthony, Mr. XU Xinmin and Mr. ZHU Wuxiang as independent non-executive directors.