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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 2017**

#### **HIGHLIGHTS**

- The Group's revenue for the Period increased by approximately 29.8% to approximately RMB746.6 million from RMB575.1 million for the same period in 2016.
- The Group's gross profit for the Period increased by approximately 33.3% to approximately RMB339.5 million from approximately RMB254.7 million for the same period in 2016. Gross profit margin increased by 1.2 percentage points from approximately 44.3% for the same period in 2016 to approximately 45.5%.
- The Group's profit for the Period increased by approximately 35.6% to approximately RMB115.3 million from approximately RMB85.0 million for the same period in 2016.
- During the Period, basic earnings per share increased by approximately 36.5% to approximately RMB10.1 cents from approximately RMB7.4 cents for the same period in 2016 .
- As at 30 June 2017, the Group's total bank balances and cash was approximately RMB539.2 million (31 December 2016: approximately RMB754.8 million), representing an adequate cash reserve.
- As at 30 June 2017, the Group's platform service area increased by approximately 79.4 million sq.m. to approximately 848.9 million sq.m from approximately 769.5 million sq.m. as at 31 December 2016.

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 2017 (the “**Period**”) as follows:

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

	NOTES	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	746,628	575,143
Cost of sales and services		(407,080)	(320,457)
Gross profit		339,548	254,686
Other gains and losses		(14,082)	(17,860)
Other income		18,516	8,378
Selling and distribution expenses		(11,424)	(2,303)
Administrative expenses		(147,200)	(144,186)
Expenses recharged to residential communities under commission basis		37,765	33,088
Finance costs		(49,183)	(11,211)
Change in fair value of investment properties		(2,867)	4,378
Share of results of associates		213	338
Share of result of a joint venture		(45)	203
Profit before tax	3	171,241	125,511
Income tax expense	4	(55,903)	(40,492)
Profit for the period		115,338	85,019
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		505	79,397
Deferred taxation effect on change in fair value of available-for-sale investments		(126)	(19,849)
Other comprehensive income for the period, net of income tax		379	59,548
Profit and total comprehensive income for the period		115,717	144,567

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2017 — continued*

		<b>Six months ended 30 June</b>	
		<b>2017</b>	2016
	<i>NOTE</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to:			
Owners of the Company		<b>100,669</b>	73,467
Non-controlling interests		<b>14,669</b>	11,552
		<u><b>115,338</b></u>	<u>85,019</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		<b>101,048</b>	133,015
Non-controlling interests		<b>14,669</b>	11,552
		<u><b>115,717</b></u>	<u>144,567</u>
Earnings per share (RMB cents)			
— Basic and diluted	7	<u><b>10.09</b></u>	<u>7.35</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2017**

		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>208,579</b>	180,757
Investment properties		<b>66,042</b>	92,528
Interests in associates		<b>34,731</b>	7,728
Interest in a joint venture		<b>805</b>	850
Available-for-sale investments		<b>134,590</b>	133,303
Intangible assets		<b>200,702</b>	210,303
Goodwill		<b>736,516</b>	749,580
Trade receivables	8	<b>18,605</b>	8,247
Other receivables and prepayments	9	<b>7,231</b>	7,489
Loan receivables		<b>42,500</b>	9,750
Deferred tax assets		<b>27,362</b>	26,506
Amount due from a director		<b>338</b>	343
Deposits paid for acquisitions of subsidiaries and associates		<b>264,659</b>	142,537
		<b>1,742,660</b>	1,569,921
<b>Current Assets</b>			
Inventories		<b>3,045</b>	2,486
Amounts due from customers for contract works		<b>44,580</b>	41,018
Trade receivables	8	<b>308,090</b>	270,525
Other receivables and prepayments	9	<b>237,813</b>	196,027
Loan receivables		<b>174,733</b>	217,500
Payments on behalf of residents		<b>281,813</b>	259,802
Amounts due from fellow subsidiaries		<b>101,764</b>	34,550
Amounts due from non-controlling shareholders of subsidiaries		<b>85,853</b>	82,330
Amounts due from related parties		<b>23,552</b>	16,168
Amounts due from associates		<b>30,045</b>	1,434
Amount due from a director		<b>61</b>	60
Financial assets designated as at fair value through profit or loss (“FVTPL”)		<b>173,152</b>	83,275
Pledged bank deposits		<b>372,176</b>	492,675
Bank balances and cash		<b>539,163</b>	754,837
		<b>2,375,840</b>	2,452,687

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 30 JUNE 2017 — continued*

		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current Liabilities</b>			
Amounts due to customers for contract works		<b>13,561</b>	16,746
Trade payables	<i>10</i>	<b>157,421</b>	113,991
Other payables and accruals	<i>11</i>	<b>539,275</b>	596,177
Receipts on behalf of residents		<b>93,185</b>	156,442
Amounts due to fellow subsidiaries		<b>45,393</b>	7,442
Amounts due to non-controlling shareholders of subsidiaries		<b>23,990</b>	32,886
Amounts due to associates		<b>41,292</b>	7,564
Amount due to a joint venture		<b>326</b>	326
Tax liabilities		<b>146,497</b>	136,799
Borrowings due within one year		<b>255,778</b>	161,506
Corporate bonds due within one year		<b>31,424</b>	14,436
Assets backed securities issued due within one year		<b>20,589</b>	37,642
		<b>1,368,731</b>	1,281,957
<b>Net Current Assets</b>		<b>1,007,109</b>	1,170,730
<b>Total Assets less Current Liabilities</b>		<b>2,749,769</b>	2,740,651
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>69,297</b>	73,941
Amount due to a fellow subsidiary		<b>9,302</b>	9,859
Borrowings due after one year		<b>496,235</b>	498,788
Corporate bonds due after one year		<b>380,166</b>	388,149
Assets backed securities issued due after one year		<b>231,796</b>	237,442
<b>Total Non-current Liabilities</b>		<b>1,186,796</b>	1,208,179
<b>Net Assets</b>		<b>1,562,973</b>	1,532,472
<b>Capital and Reserves</b>			
Share capital		<b>79,126</b>	79,325
Reserves		<b>1,407,364</b>	1,379,597
Equity attributable to owners of the Company		<b>1,486,490</b>	1,458,922
Non-controlling interests		<b>76,483</b>	73,550
<b>Total Equity</b>		<b>1,562,973</b>	1,532,472

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

#### **Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The directors of the Company considered the application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements, but additional disclosure about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

### 3. SEGMENT INFORMATION

#### Segment revenues and results

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

*Six months ended 30 June 2017 (unaudited)*

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

### 3. SEGMENT INFORMATION — continued

#### Segment revenues and results — continued

Six months ended 30 June 2016 (unaudited)

	Property management services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Community leasing, sales and other services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	439,448	64,252	71,443	–	575,143
Inter-segment revenue	–	2,425	2,295	(4,720)	–
Segment revenue	<u>439,448</u>	<u>66,677</u>	<u>73,738</u>	<u>(4,720)</u>	<u>575,143</u>
Segment profit	<u>92,502</u>	<u>30,189</u>	<u>57,440</u>		180,131
Changes in fair value of investment properties					4,378
Changes in fair value of financial assets designated as at FVTPL					1,503
Share of results of associates					338
Share of result of a joint venture					203
Finance costs					(11,211)
Interest income					2,391
Share-based payment expense					(51,164)
Other unallocated expenses and losses					<u>(1,058)</u>
Profit before tax					<u>125,511</u>

### 4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Current tax		
PRC EIT	62,091	46,162
Singapore EIT	–	238
Deferred tax	<u>(6,188)</u>	<u>(5,908)</u>
	<u>55,903</u>	<u>40,492</u>



## 5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs	309,996	307,254
Loss on disposal of property, plant and equipment, net	3,313	877
Amortisation of intangible assets	14,033	9,854
Depreciation for property, plant and equipment	15,433	12,853
Minimum lease payments under operating leases in rented premises	21,139	3,490
Allowance for doubtful debts on trade receivables	8,712	7,720
Impairment loss recognised on payments on behalf of residents under commission basis	7,849	8,281

## 6. DIVIDENDS

During the current interim period, a final dividend of HK10.00 cents, equivalent to RMB8.95 cents (2015: HK10.00 cents, equivalent to RMB8.42 cents) per share in respect of the year ended 31 December 2016 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to RMB86,718,000 (2016: RMB84,695,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

## 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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>100,669</u>	<u>73,467</u>
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>997,737</u>	<u>1,000,119</u>

For the current and prior interim period, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the options were higher than the average market price per share from the date of beginning period/date of grant to date of period end, as appropriate.

## 8. TRADE RECEIVABLES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables	<b>331,323</b>	284,667
Retention receivables	<b>7,315</b>	4,008
Invoices to be issued	<b>21,620</b>	14,948
	<b>360,258</b>	303,623
Less: allowance for doubtful debts	<b>(33,563)</b>	(24,851)
Total trade receivables	<b>326,695</b>	278,772
Classified as:		
Non-current	<b>18,605</b>	8,247
Current	<b>308,090</b>	270,525
	<b>326,695</b>	278,772

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
0 to 30 days	<b>81,306</b>	92,158
31 to 90 days	<b>68,407</b>	43,229
91 to 180 days	<b>55,961</b>	44,130
181 to 365 days	<b>61,220</b>	58,878
Over 1 year	<b>71,744</b>	50,280
	<b>338,638</b>	288,675

## 9. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Deposits	52,634	42,137
Advances to staffs	41,885	46,025
Prepayments to suppliers	24,015	26,468
Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co., Ltd. (“Caizhijia”)	22,037	16,760
Payment on behalf of residents for residential communities under lump sum basis	32,494	30,102
Payment on behalf of residents for residential communities under consultancy services arrangements	23,619	27,861
Receivables from former shareholders of subsidiaries	5,371	2,795
Consideration receivable on disposal of a subsidiary	429	–
Consideration receivables on disposals of partial interests in subsidiaries resulting in loss of control	12,569	–
Others	29,991	11,368
	<u>245,044</u>	<u>203,516</u>
Classified as:		
Non-current	7,231	7,489
Current	237,813	196,027
	<u>245,044</u>	<u>203,516</u>

## 10. TRADE PAYABLES

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Trade payables	157,421	113,991

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

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
0–60 days	81,080	74,277
61–180 days	38,817	26,521
181–365 days	28,786	9,310
Over 1 year	8,738	3,883
	<u>157,421</u>	<u>113,991</u>

## 11. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Receipts on behalf of residents under lump sum basis	<b>73,191</b>	54,250
Receipts on behalf of residents for residential communities under consultancy service arrangements	<b>28,474</b>	9,978
Receipts on behalf of online platform merchants	<b>3,906</b>	6,157
Advances from customers	<b>116,266</b>	133,679
Deposits received	<b>67,470</b>	80,834
Other tax payable	<b>35,898</b>	52,698
Rental payable	<b>1,537</b>	436
Accrued staff costs	<b>71,219</b>	78,768
Provision for retirement benefit contributions	<b>70,042</b>	78,807
Consideration payables for acquisition of subsidiaries	<b>48,799</b>	48,467
Other payables and accruals	<b>22,473</b>	52,103
	<b>539,275</b>	596,177

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

The Group is a leading community services operator in the People's Republic of China (the "PRC" or "China"). Based on the gross floor area ("GFA") of residential communities which the Group was contracted to manage and cooperated in respect of platform service as at 31 December 2016, the Group was named by China Index Academy in 2017 as "the operator with the largest community platform services in the world".

The Group has three main business segments:

- Property management services, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a commission basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (ii) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a lump sum basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature; (iii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iv) consultancy services provided to regional property companies, such as standardised operation, cost control and consultation;
- Engineering services, which primarily include: (i) equipment installation services; (ii) repair and maintenance services; (iii) automation and other equipment upgrade services through the Group's equipment leasing program; and (iv) energy-saving services;
- Community leasing, sales and other services, which primarily include: (i) common area rental assistance; (ii) online promotion services and leasing information system software; (iii) residential and retail units rental and sales assistance; and (iv) other services.

### Property Management Services

The Group adheres to its strategy of expansion of the total contracted GFA. As at 30 June 2017, GFA under management contracts and consultancy service arrangements of the Group reached 420.2 million sq.m, representing a year-on-year growth of 16.7%. The number of residential communities under the Group's management and consultancy services contracts reached 2,335, roughly the same as the number at the end of 2016. The Group's management projects cover 214 cities in China and a foreign country, namely Singapore, realizing rapid expansion of contracted GFA. It should be emphasised that new contracted GFA under management in first half of 2017 were mainly obtained through new engagements, showing the core competitiveness of Colour Life in terms of brand, service quality and market expansion.

Meanwhile, Colour Life Property Sales Model, was better accepted by developers and property owners. The Group has entered into strategic collaborative agreements with 36 developers successively, including regional leading developers like Anhui Goocoo Group (安徽國購集團) and Xi'an Ronghua Group (西安榮華集團). In the first half of 2017, Colour Life Property Sales Model was newly introduced into cities including Xi'an, Suzhou and Zhengzhou, achieving coverage in 50 cities in China. Other innovative products including "Colour Parking Lots (彩車位)" and "Colour Shops (彩商舖)" were also developed. For the period throughout the six months ended 30 June 2017, accumulated sales of Colour Life Property amounted to 2,743 units, representing a year-on-year increase of 321.4%. The introduction of Colour Life Property Sales Model facilitated good interactions between the Group and property developers, helping the Group to gain the property service resources. On the other hand, it facilitated the accumulation of a large amount of meal coupons returned by developers to property owners' Caizhiyun account. The bonding between products, residents and services providers, resulted in meal coupons forming a strong purchasing power on the platform, which attracted more quality providers and business starters to join the platform and in turn drove positive circulation in the ecosystem.

Since 2016, transformation of the Group's business structure became more secure with supporting business and financial data. In 2017, contribution of value-added services (also called community leasing, sales and other services) to the Group's segment profit reached approximately 30.1%. This stems from the richer portfolios of product companies in the ecosystem as well as better recognition of value-added services by property owners. Product companies continued to make different attempts in the Group's communities to provide services and products under community scenario which meet the needs of property owners, driving the growth of revenue and profits of value-added services. Under the encouraging development trend of value-added services, the Group launched platform output strategy. Through providing Caizhiyun platform with collaborative partners, Caizhiyun platform could approach more families and communities not managed by the Group. In the first half of 2017, the Group successively established cooperation with 28 property management companies including Lanzhou Chengguan Property Service Group Limited (蘭州城關物業服務集團有限公司), Jiangsu Zhongzhu Property Service Development Limited (江蘇中住物業服務開發有限公司) and Hubei Yunfan Property Service Limited (湖北雲帆物業服務有限公司). As at 30 June 2017, service area of the Group's platform was 848.9 million sq.m, which includes 420.2 million sq.m. for contracted area, 178.7 million sq.m. for cooperation area and 250.0 million sq.m. for alliance area.

## ***Geographical Presence***

As at 30 June 2017, the regions and cities with residential communities which the Group managed or provided consultancy services to were as follows:

<b>Southern China</b>	<b>Eastern China</b>	<b>Southwestern China</b>	<b>Northeastern China</b>	<b>Northern China</b>	<b>Central China</b>
1. Shenzhen	47. Changzhou	95. Chengdu	138. Gaizhou	160. Beijing	175. Changsha
2. Dongguan	48. Dongtai	96. Liuzhou	139. Harbin	161. Qinhuangdao	176. Xinxiang
3. Foshan	49. Gaoyou	97. Dali	140. Huludao	162. Tianjin	177. Yiyang
4. Fuzhou	50. Huai'an	98. Guilin	141. Shenyang	163. Shijiazhuang	178. Zhengzhou
5. Ganzhou	51. Jiangyin	99. Nanning	142. Tieling	164. Baotou	179. Wuhan
6. Guangzhou	52. Jurong	100. Zigong	143. Yingkou	165. Tongliao	180. Chenzhou
7. Heyuan	53. Lianyungang	101. Chongzuo	144. Diaobingshan	166. Wuhai	181. Kaifeng
8. Huizhou	54. Nanjing	102. Baise	145. Benxi	167. Taiyuan	182. Anyang
9. Jingdezhen	55. Nantong	103. Guigang	146. Changchun	168. Tangshan	183. Xiangyang
10. Nanchang	56. Shanghai	104. Zunyi	147. Panjin	169. Hulunbuir	184. Jingmen
11. Nankang	57. Suzhou	105. Guiyang	148. Dalian	170. Ulanqab	185. Puyang
12. Putian	58. Wuxi	106. Fangchenggang	149. Mudanjiang	171. Langfang	186. Yichang
13. Qingyuan	59. Wuhu	107. Deyang		172. Datong	187. Yueyang
14. Shangrao	60. Yancheng	108. Guang'an	<b>Northwestern China</b>	173. Baoding	188. Zhangjiajie
15. Yangjiang	61. Yangzhou	109. Laibin	150. Xi'an	174. Changzhi	189. Zhuzhou
16. Yichuan	62. Changshu	110. Lijiang	151. Yinchuan		190. Huixian
17. Yingtan	63. Kunshan	111. Mianyang	152. Lanzhou		191. Luohe
18. Zhongshan	64. Xuzhou	112. Pingnan	153. Hancheng		192. Xiangtan
19. Zhuhai	65. Hangzhou	113. Suining	154. Xi'ning		193. Huanggang
20. Xiamen	66. Chuzhou	114. Tongren	155. Yulin		194. Changde
21. Shaoguan	67. Huzhou	115. Yizhou	156. Baoji		195. Jingzhou
22. Heshan	68. Fuyang	116. Chongqing	157. Ankang		196. Loudi
23. Quanzhou	69. Jiaxing	117. Ziyang	158. Pingliang		197. Luoyang
24. Sanming	70. Linyi	118. Anshun	159. Hanzhong		198. Wugang
25. Zhangzhou	71. Yantai	119. Beihai			199. Suizhou
26. Nanxiong	72. Zhenjiang	120. Guanghan			200. Nanyang
27. Longyan	73. Zibo	121. Kunming			201. Xinyang
28. Jiujiang	74. Bengbu	122. Guangyuan			202. Shangqiu
29. Nanping	75. Hefei	123. Neijiang			203. Enshi
30. Xinyu	76. Ji'ning	124. Duyun			204. Jiaozuo
31. Zhaoqing	77. Liu'an	125. Fuquan			205. Xiangfan
32. Haikou	78. Qingdao	126. Longli			206. Hengyang
33. Danzhou	79. Shaoxing	127. Majiang			207. Jiyuan
34. Fuzhou	80. Taicang	128. Bazhong			208. Qianjiang
35. Shantou	81. Wenzhou	129. Wuzhou			209. Xinyang
36. Zhanjiang	82. Haining	130. Bijie			210. Zhoukou
37. Jinggangshan	83. Ji'nan	131. Emeishan			211. Zhumadian
38. Fengcheng	84. Suqian	132. Leshan			212. Xiaogan
39. Ji'an	85. Tai'an	133. Liupanshui			213. Shaoyang
40. Meizhou	86. Heze	134. Miao-Dong			
41. Zhangping	87. Huaibei	Autonomous			<b>Non-Mainland China</b>
42. Sanya	88. Jinhua	Prefecture of			214. Hong Kong
43. Ruijin	89. Liaocheng	Qiandongnan			
44. Wenchang	90. Taizhou	135. Qinzhou			<b>Oversea</b>
45. Pingxiang	91. Taihe	136. Wenshan			215. Singapore
46. Zhangshu	92. Zaozhuang	137. Yulin			
	93. Weifang				
	94. Dongying				

The Group's total contracted GFA had grown continuously during the first half of 2017. The table below sets forth the total contracted GFA and the number of residential communities that the Group managed, provided consultancy services to or cooperated with in respect of platform services in different regions of PRC and overseas as at the dates indicated below:

	As at 30 June 2017						As at 31 December 2016					
	Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	GFA	Number	GFA	Number	GFA	Number	GFA	Number	GFA	Number	GFA	Number
('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		
Shenzhen	9,317	129	753	18	-	-	9,745	132	753	18	-	-
Southern China (excluding Shenzhen)	69,975	474	9,724	31	42,896	264	69,657	473	7,265	29	40,635	225
Eastern China <sup>(1)</sup>	111,631	742	12,778	52	24,276	244	109,323	711	12,994	51	17,424	169
Southwestern China	83,474	349	2,435	7	52,062	334	56,701	342	1,993	5	45,703	281
Northeastern China	10,384	50	4,554	25	-	-	10,284	49	4,554	25	-	-
Northwestern China <sup>(2)</sup>	14,557	66	275	2	33,123	330	19,265	92	275	2	4,202	49
Northern China <sup>(3)</sup>	16,294	73	3,529	13	1,510	18	16,880	83	4,589	25	199	1
Central China <sup>(4)</sup>	66,431	241	3,101	9	24,876	173	64,639	236	5,176	12	16,282	111
Non-mainland China	40	16	-	-	-	-	40	16	-	-	-	-
Singapore	987	38	-	-	-	-	987	38	-	-	-	-
<b>Total</b>	<b>383,090</b>	<b>2,178</b>	<b>37,149</b>	<b>157</b>	<b>178,743</b>	<b>1,363</b>	<b>357,521</b>	<b>2,172</b>	<b>37,599</b>	<b>167</b>	<b>124,445</b>	<b>836</b>

*Notes:*

- (1) The Group newly entered Dongying as at 30 June 2017.
- (2) The Group newly entered Hanzhong as at 30 June 2017.
- (3) The Group newly entered Baoding and Changzhi as at 30 June 2017.
- (4) The Group newly entered Xiaogan and Shaoyang as at 30 June 2017.



As at 30 June 2017, the Group had grown its contracted GFA coverage to 214 cities in China and one foreign country, namely Singapore. As at 30 June 2017, the Group was contracted to manage 2,178 residential communities with an aggregate contracted GFA of approximately 383.1 million sq.m. and entered into consultancy services contracts with 157 residential communities with an aggregate contracted GFA of approximately 37.1 million sq.m. As at 30 June 2017, the Group obtained in total a platform service area of 848.9 million sq.m. The Group will continue to expand its business through obtaining new service engagements and cooperating with other property management companies in platform service. The table below sets forth the movement of the total contracted GFA and the number of residential communities the Group managed, provided consultancy services and cooperated with in platform service during the first half of 2017:

	As at 30 June 2017						As at 31 December 2016					
	Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities
('000 sq.m)												
As at the beginning of the year	357,521	2,172	37,599	167	124,445	836	303,473	1,879	18,651	122	-	-
New engagements <sup>(1)</sup>	35,180	55	156	1	-	-	36,563	159	23,677	66	-	-
Acquisitions <sup>(2)</sup>	2,433	32	-	-	-	-	29,559	191	265	2	-	-
New cooperation <sup>(3)</sup>	-	-	-	-	48,593	496	-	-	-	-	124,445	836
Transfer from self-management to consultancy service <sup>(4)</sup>	(454)	(1)	454	1	-	-	-	-	-	-	-	-
Transfer from consultancy service to self-management <sup>(5)</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Transform from self-management to cooperation <sup>(6)</sup>	(5,705)	(31)	-	-	5,705	31	-	-	-	-	-	-
Terminations <sup>(7)</sup>	(5,885)	(49)	(1,060)	(12)	-	-	(12,074)	(57)	(4,994)	(23)	-	-
As at the end of the year	<u>383,090</u>	<u>2,178</u>	<u>37,149</u>	<u>157</u>	<u>178,743</u>	<u>1,363</u>	<u>357,521</u>	<u>2,172</u>	<u>37,599</u>	<u>167</u>	<u>124,445</u>	<u>836</u>

*Notes:*

- (1) In relation to residential communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to residential communities the Group provided consultancy services to, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group acquired some other companies in the property management industry in order to expand its managed GFA and gain synergy after the acquisition.
- (3) Through cooperation in platform service, the Group gained minority interests of targeted partners and output its online platform and vertical application services to the partners.

- (4) The Group ceased to renew certain property management contracts when these contracts expired. However, developers or residents committees may still want to enjoy the Group's services, then the Group can sign an consultant contract with them.
- (5) The Group managed to acquire some of the property management companies to which it provided consultancy service previously, resulting in the relevant residential communities under the Group's consultancy service arrangements transferred into those the Group managed.
- (6) The Group sold majority of interests to targeted partners, transferring self-management services to online platform service, while keeping minority interests.
- (7) Including the contracted GFA and the number of residential communities which the Group ceased to renew certain property management contracts and manage primarily due to commercial factors.

## Nature of the Property Developers

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

	As at 30 June 2017				As at 31 December 2016			
	Total Contracted GFA ('000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties	Total Contracted GFA ('000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties
Properties constructed by independent property developers other than the Fantasia Group	592,894	99.0%	3,668	99.2%	513,477	98.8%	3,145	99.1%
Properties constructed by the Fantasia Group	6,088	1.0%	30	0.8%	6,088	1.2%	30	0.9%
<b>Total</b>	<b>598,982</b>	<b>100.0%</b>	<b>3,698</b>	<b>100.0%</b>	<b>519,565</b>	<b>100.0%</b>	<b>3,175</b>	<b>100.0%</b>

## Scope of Services for Property Management Services

The Group focuses on providing: (i) property management services such as security, cleaning, gardening, repair and maintenance to residential communities, and (ii) pre-sale services to property developers, including cleaning, security and maintenance of the pre-sale display units.

The property management services the Group provides can be grouped into the following categories:

### ***Security services***

The Group endeavors to provide high-quality security services to ensure that the communities it manages are well protected. The Group seeks to enhance the quality of its security services through equipment upgrades. Daily security services provided by the Group include patrolling, access control, visitor handling and emergency handling. The Group may delegate certain security services to third-party sub-contractors.

### ***Cleaning and gardening services***

The Group provides general cleaning, pest control and landscape maintenance services to communities managed by it through its own specialised subsidiaries or third-party sub-contractors.

### ***Repair and maintenance services***

The Group provides repair and maintenance services to certain communities it manages. In particular, the Group is generally responsible for the maintenance of: (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generators, water pumps and water tanks. The Group provides such services through its specialised subsidiaries or third-party sub-contractors.

### **Colour Life Property Management Services Model**

While the substance of property management services of the Group is the same as those of other companies in the industry, the way of organizing property management services is very different. Following the implementation of smart community construction, the Group is undergoing transformation into a technology service-oriented modern service enterprise. On one hand, the Group actively acquires new technology brought by the development of the internet and focuses on research and development in intelligent equipment. On the other hand, the Group enhances management efficiency to provide better service experience for the community. The Group has established a solid information “cloud” system at the headquarter with the use of internet and mobile internet, constantly strengthened the service capacity of the “terminal” and reduced the level and scope of “management”, so as to organize effective community services. The Group has also classified its managed communities into various classes based on the different charging standards and developed tailored equipment alteration and service package standards to ensure consistency of customer experience in different classes of projects and secure the Group’s rapid expansion in the PRC. The establishment of an automated, centralised and standardised management system maintains customer satisfaction, while at the same time secures the efficiency to ensure the Group’s effective cost control.

The Group optimized community services with innovative use of mobile internet. E-Repair, E-Lift, E-Cleaning, E-Security and E-Gardening are now basic community services providers which further enhanced the efficiency of the Group’s services. For instance, with repair expenses per unit area remained unchanged, E-Repair increased the Group’s equipment availability by 10 percent. E-Cleaning was mainly conducted in Guangdong Province. With

10% reduction in cleaning expenses per unit area, customer satisfaction rate of cleaning in projects under the Group's management increased by 5 percent.

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

As at 30 June 2017, the Group employed over 37,132 on-site personnel to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2017		As at 31 December 2016	
	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	<b>0.35–10.55</b>	<b>1.0–6.9</b>	0.35–10.55	1.0–6.9
Southern China (excluding Shenzhen)	<b>0.34–3.94</b>	<b>0.60–6.0</b>	0.34–3.94	0.60–6.0
Eastern China <sup>(1)</sup>	<b>0.2–8.0</b>	<b>1.2–3.0</b>	0.2–8.0	1.2–3.0
Southwestern China	<b>0.3–4.0</b>	<b>0.88–4.5</b>	0.3–4.0	0.88–4.5
Northeastern China	<b>0.4–3.7</b>	<b>2.0–5.0</b>	0.4–3.7	2.0–5.0
Northwestern China <sup>(2)</sup>	<b>0.6–1.8</b>	<b>1.1–3.0</b>	0.6–1.8	1.1–3.0
Northern China <sup>(3)</sup>	<b>0.64–2.5</b>	<b>1.2–5.2</b>	0.64–2.5	1.2–5.2
Central China <sup>(4)</sup>	<b>0.4–4.18</b>	<b>0.4–2.48</b>	0.4–4.18	0.4–2.48
Singapore	<b>1.23</b>	–	1.23	–
Hong Kong	<b>4.4–22.0</b>	–	4.4–22.0	–

Notes:

(1) The Group newly entered Dongying as at 30 June 2017.

(2) The Group newly entered Hanzhong as at 30 June 2017.

(3) The Group newly entered Baoding, Changzhi as at 30 June 2017.

(4) The Group newly entered Xiaogan, Shaoyang as at 30 June 2017.

## **CONSULTANCY SERVICES**

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

As at 30 June 2017, the Group was contracted to provide consultancy services to 157 residential communities in the PRC. For the six months ended 30 June 2017, income generated from the Group's consultancy services was approximately RMB24.9 million (2016: approximately RMB16.5 million), or 3.3% of its total revenue for the first half of 2017 (2016: 2.9%). The gross profit margin for consultancy services was nearly 100%.

The relevant contracts typically have terms of at least two years. The Group provides consultation and advice to these regional property management companies on various aspects of their operations, such as property management, engineering, quality control and human resources management. In addition, the Group can provide community leasing, sales and other services in the relevant communities under its own brand name in accordance with the contracts.

## **ENGINEERING SERVICES**

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its subsidiaries, Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji") and Shenzhen Ancaihua Energy Investment Co., Ltd., which specialise in engineering services. The Group's engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services); (ii) repair and maintenance services; (iii) automation and other equipment upgrade services through the Group's equipment leasing program and (iv) energy-saving devices and energy platform leasing services.

To further increase the efficiency of its property services and bring better customer experience, the Group has been conducting Internet-based transformation to all projects under its management. In the first half of 2017, the Group continued to establish smart community, and the Colour Life Smart Community Model was upgraded from Version 3.3 to Version 4.0. The new version focuses more on optimizing access and scenario design from all aspects of community services, including gradual coverage of wireless interconnection technology and face recognition technology. It also facilitated the construction of new micro-business environment based on the T+0 settlement model and the comprehensive promotion of online payment. While enhancing customer experience, the Colour Life Smart Community Model continued to optimize the community organization structure with the assistance of functional departments and products departments of the Group and enhance the promotion of various online products in the communities, including but not limited to E-Payment, E-Parking, E-Lift, E-Security, E-Repair, E-Leasing, E-Wealth management, E-Cleaning, E-Maintenance and E-Recycling. Version 4.0 was designed to further develop a user-friendly smart community from multiple levels, such as credit, internet and new technologies. In the first half of 2017, the Group completed the hardware upgrade and transformation in 419 communities in total, among which certain cases involved the secondary upgrade to a primary upgraded community. Total number of upgraded communities reached 1,440, representing approximately 61.7% of total number of communities under management.

#### **Automation and other hardware equipment installation services**

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

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

The Group assists the residential communities that it manages or provides services to in improving energy savings by replacing their existing hardwares with energy-saving equipment, such as LED lights, motion-sensor lights and energy efficient elevators.

#### **Community utility facilities repair and maintenance services**

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further implementation of Colour Life management model of the Group, the Group has promoted an equipment management model in the communities it manages to reduce the occurrence of major failures of the above mentioned hardware and equipment that requires large-scale repairs through regular maintenance. As at 30 June 2017, the Group was engaged to provide repair and maintenance services to 1,540 residential communities it manages or provides consultancy services.



## **Community automation equipment leasing services**

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to, including car park security systems, building access systems and remote surveillance cameras. These equipments were invested by Shenzhen Kaiyuan Tongji and Shenzhen Yixuan Technology Co., Ltd. and provided for the use of each residential community through the Group's equipment leasing program. As at 30 June 2017, the Group has completed automation and other equipment upgrades to 1,440 residential communities in total.

## **Energy-saving services**

The Group provides energy-saving services to residential communities it manages or provides consultancy services to. These services include energy-saving devices and energy management platform leasing services.

## **Community leasing, sales and other services**

With fifteen years of experience in community management and services, the Group has established a comprehensive offline service system. As at 30 June 2017, the Group has employed over 1,940 customer managers and community officers who strived to provide more convenient services to property owners. They had built up trust with the residents and have a more comprehensive understanding on the demands of the community residents and the creation of the community scenarios by paying frequent visits to and through communications with residents. Leveraging the understanding on the residents of the communities for which the Group provides management services or consultancy services, the Group focuses on the construction of an open online platform, enabling the residents to contact with local vendors for services or goods via the Caizhiyun APP and creating a more convenient community living environment for residents.

Practicability and user experience of Caizhiyun APP, the online operating platform of the Group, were further enhanced in the first half of 2017. Through continuous improvements on basic functions with higher utilisation rates, such as handling property fee payments and complaints, issuing service notices, as well as "Scan to Access the Community Gate" (掃一掃開社區大門), it enhanced interaction and connection between community property owners and the Group, as well as strengthens owners' adherence with the Caizhiyun platform. As at 30 June 2017, registered users of Caizhiyun APP increased to approximately 4,121,000, of which approximately 2,434,000 were active users, each representing an increase of approximately 91.7% and approximately 114.8% respectively as compared with those of the same period in 2016. The increase in the Group's ability to investigate and foster community access and community scenarios will further facilitate the establishment of an online and offline integrated service platform.

At the same time, the Group continued to focus on its strategy of building up an open platform and has commenced cooperation with a number of suppliers for vertical applications through business incubation and value chain restructuring strategy to jointly explore opportunities for business expansion in a diversified community scenarios. Currently, there are over 20 corporations from the ecosystem platform engaging in community services in various aspects, of which E-Energy, E-Parking, E-Leasing and E-Wealth management contributed substantial income. E-Repair, E-Recycling, E-Lift, E-House keeping, and E-Renovation, which specialize in repair service, recycling and reuse of community waste and resources, elevator management service, home cleaning service and renovation service respectively, are entering into the rapid development stage. During the six months ended 30 June 2017, the accumulated GMV of Caizhiyun APP has reached approximately RMB2,393.5 million. As at 30 June 2017, E-Repair recorded a daily order volume of more than 15,000 orders, approximately 95% of which came from property owners' households, while E-Wealth management amassed aggregate turnover of approximately RMB2,003.8 million, among which, the aggregate turnover of Colour Wealth Life amounted to approximately RMB1,965.6 million. Such positive operating data have underlined the initial success of the Colour Life ecosystem. As at 30 June 2017, the Group launched the ceremony for Shanghai Colour Life Community Ecosystem, which is the second incubation service center designated for eastern China since the implementation of Shenzhen Colour Life Ecosystem for one year. Shanghai Colour Life Community Ecosystem will continue to integrate the service resources with the existing communities that the Group manages, to provide rapid expansion market to products companies and attract more quality business starters.

With the progress of the Colour Life Property sales model, the amount of meal coupons that the community residents have saved in their Caizhiyun accounts will continuously increase. Due to the accumulation of meal coupons, the Group can better organize suppliers with greater bargaining power, providing valuable products and service at favorable price. The bonding within the commercial ecosystem of the Group allows meal coupons to drive the ecosystem to further improve.

The Group's community leasing, sales and other services primarily include (i) common area rental assistance; (ii) online promotion services and leasing information system software; (iii) residential and retail units rental and sales assistance; and (iv) others.

### **Common area rental assistance**

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

### **Online promotion services and leasing information system software**

The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun APP, the online platform run by the Group. Providers of products and services pay certain amount of commission according to their sales ordered through Caizhiyun APP to the Group. As at 30 June 2017, Caizhiyun APP provided services to 2,350 residential communities. Further, the Group leases its system or software to projects it provides management or consultant services to in order to improve service quality and efficiency.



## **Residential and retail units rental and sales assistance**

When a property owner seeks rental assistance from the Group, the Group refers the case to an independent third-party property agent, who rents the unit from the property owner as the primary tenant for a fixed term, and sub-leases the unit to an appropriate tenant either at a premium or for a period that covers the rent-free period enjoyed by the primary tenant.

## **Others**

Other services include (i) purchase assistance; (ii) energy management services; (iii) parking management services; and (iv) other services.

## **Financial Review**

### ***Revenue***

The Group's revenue mainly arises from (i) property management services, (ii) engineering services, (iii) community leasing, sales and other services. For the six months ended 30 June 2017, the total revenue increased by approximately 29.8% to approximately RMB746.6 million from approximately RMB575.1 million for the six months ended 30 June 2016.

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

#### *— Property Management Services*

For the Period, revenue from property management services increased by approximately 31.1% from approximately RMB439.4 million for the six months ended 30 June 2016 to approximately RMB576.2 million.

Such increase was primarily attributable to:

- (a) an increase in revenue of approximately RMB132.2 million from service fees charged under lump sum basis which in turn was driven by the growing revenue-bearing GFA. As at 30 June 2017, the revenue-bearing GFA under lump sum basis increased by approximately 20.6 million sq.m. to approximately 52.6 million sq.m. from approximately 32.0 million sq.m. as at the same date in 2016;
- (b) a slight decrease in revenue of approximately RMB0.7 million from service fees charged under commission basis due to disposal of two subsidiaries led to the corresponding projects transformed from self-management to cooperation, of which charged higher unit price of property management fees. As at 30 June 2017, the revenue-bearing GFA under commission basis slightly increased by approximately 7.1 million sq.m., or approximately 3.4%, from approximately 207.6 million sq.m. as at the same date in 2016 to approximately 214.7 million sq.m.;

- (c) a decrease in revenue of approximately RMB3.1 million from service fee charged for rendering pre-sale related services for the six months ended 30 June 2017 as compared to that charged for the six months ended 30 June 2016 resulting from the completion of pre-sale services contracts;
- (d) an increase in revenue of approximately RMB8.4 million from fees charged under consultancy services contracts due to the growth of GFA under consultancy services contracts. As at 30 June 2017, the revenue-bearing GFA under consultancy services contracts increased by approximately 6.7 million sq.m. from approximately 15.7 million sq.m. as at the same date in 2016 to approximately 22.4 million sq.m..

Due to the facts discussed above, revenue from property management services for the Period accounted for approximately 77.2% of the Group's total revenue, representing an increase of 0.8 percentage point as compared to that of approximately 76.4% for the six months ended 30 June 2016.

— *Engineering Services*

For the Period, revenue from engineering services decreased by approximately 7.3% from approximately RMB64.3 million for the six months ended 30 June 2016 to approximately RMB59.6 million.

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

- (a) a reduction in community repair and maintenance service income which decreased by approximately 27.9% to approximately RMB20.4 million for the six months ended 30 June 2017 from approximately RMB28.3 million for the six months ended 30 June 2016, which was caused by the introduction of E-Repair, which the Group considered was able to provide services with higher efficiency and qualities. The Group charged corresponding online platform usage fee from E-Repair, which was classified as on-line value-added services.
- (b) a decrease in the revenue from equipment installation services of approximately 29.8% to approximately RMB15.1 million for the six months ended 30 June 2017 from approximately RMB21.5 million for the six months ended 30 June 2016, which was determined by the completion schedules.
- (c) an increase in the revenue of approximately RMB3.7 million charged for the community equipment leasing income for the Period which is in line with the Group's community equipment upgrade program.
- (d) an increase in the revenue of approximately RMB5.9 million in services fee from leasing energy-saving devices and energy management platform, which is a new business introduced in the latter half of 2016.

— *Community Leasing, Sales and Other Services*

For the Period, revenue from community leasing, sales and other services increased by approximately 55.2% from approximately RMB71.4 million for the corresponding period in 2016 to approximately RMB110.8 million.

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

- (a) A growth in usage fees from online promotion services and leasing information system software of approximately RMB17.6 million for the six months ended 2017 was driven by the rapid development of the companies who cooperated with the Group aiming at the Caizhiyun Platform and the Group's growth in the total revenue-bearing GFA. As a result, the revenue of usage fees from online promotion services and leasing information system software increased by approximately 51.2% to approximately RMB52.0 million for the six months ended 30 June 2017 from approximately RMB34.4 million of that in the six months ended 30 June 2016;
- (b) An increase in common area rental assistance income of approximately RMB1.4 million to approximately RMB28.0 million for the six months ended 30 June 2017 from approximately RMB26.6 million for the six months ended 30 June 2016.
- (c) An increase in residential and retail units rental and sales assistance income of approximately RMB2.0 million to approximately RMB10.6 million for the six months ended 30 June 2017 from approximately RMB8.6 million for the six months ended 30 June 2016.
- (d) An increase in other services revenue of approximately RMB18.4 million to approximately RMB20.2 million for the six months ended 30 June 2017 from approximately RMB1.8 million for the six months ended 30 June 2016, which arised from the introduction of several new business by the Group in the latter half of 2016. The revenue for the six months ended 30 June 2017 mainly consist of (i) energy management services, (ii) parking management services, and (iii) other services.

***Cost of Sales and Services***

The Group's cost of sales and services primarily comprises labour costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation and others. Most of the cost is charged with the property management services under lump sum basis and pre-sale services contracted with property developers. For the Period, cost of sales and services increased by approximately 27.0% from approximately RMB320.5 million for the six months ended 30 June 2016 to approximately RMB407.1 million. The increase was primarily attributable to the acquisitions of certain property management companies which provided services under lump sum basis.

### ***Gross Profit and Gross Profit Margin***

For the Period, the overall gross profit increased by approximately RMB84.8 million from approximately RMB254.7 million for the six months ended 30 June 2016 to approximately RMB339.5 million. The increase in gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin increased by 1.2 percentage points to approximately 45.5% for the Period from that of approximately 44.3% for the six months ended 30 June 2016. The increase was primarily attributable to the increasing gross profit margin of property management service under lump sum basis.

#### *(i) Property Management Services*

For the Period, the gross profit margin of property management services increased by 2.0 percentage points from approximately 34.4% for the six months ended 30 June 2016 to approximately 36.4%. The increase was primarily due to gross profit margin of property management services under lump sum basis increased by 6.3 percentage points, resulting from introduction of Colour Life Smart Community Model in those communities under lump sum basis, which the Group acquired by acquisitions of certain property management companies.

#### *(ii) Engineering Services*

For the Period, gross profit margin for the engineering services segment increased by 8.8 percentage points from approximately 52.0% for the six months ended 30 June 2016 to approximately 60.8%. The increase was primarily attributable to provision of energy-saving services which had a relatively higher gross profit margin.

#### *(iii) Community Leasing, Sales and Other Services*

For the Period, gross profit from the community leasing, sales and other services segment increased by approximately 33.5% to approximately RMB93.6 million from approximately RMB70.1 million for the six months ended 30 June 2016. Gross profit margin decreased by 13.6 percentage points from approximately 98.1% for the six months ended 30 June 2016 to approximately 84.5% for the Period. The decrease was primarily due to the sublet business of Shanghai Colour Life Time Plaza, which had a negative gross profit of approximately RMB10.1 million. The whole building was handed over to the Group in 30 November 2016 and began to amortized the rental fees ever since. As at 30 June 2017, 40 copies of the sublease contracts were agreed to between the Group and leasers, contributing approximately RMB2.4 million to the sublet business.

### ***Other Gains and Losses***

The Group's other gains and losses decreased by approximately 21.2% from a loss of approximately RMB17.9 million for the six months ended 30 June 2016 to a loss of approximately RMB14.1 million for the Period. The decrease was primarily due to (i) an increase of approximately RMB9.7 million in other gains for the Period; and offset by; (ii) an increase of approximately RMB1.0 million in allowance recognised on trade receivables from

approximately RMB7.7 million to approximately RMB8.7 million, which the Company believes may not be recovered based on the Company's review of the balances for the Group's property management and engineering services contracts; and (iii) an increase in loss on disposal of property, plant and equipment and investment properties from approximately RMB0.9 million to approximately RMB5.8 million.

### ***Other Income***

For the Period, the Group's other income was approximately RMB18.5 million, which increased by approximately 120.2% from approximately RMB8.4 million for the six months ended 30 June 2016. The increase was primarily attributable to (i) interest income of approximately RMB13.3 million generated from loan receivables; and offset by (ii) a decrease of approximately RMB2.2 million in unconditional government grants.

### ***Selling and Distribution Expenses***

Selling and distribution expenses for the Period was approximately RMB11.4 million, which increased by approximately 395.7% from approximately RMB2.3 million for the same period in 2016. The increase was mainly due to the increase in promotional expenses for the online platform Caizhiyun APP.

### ***Administrative Expenses***

The Group's administrative expenses increased by approximately 2.1% from approximately RMB144.2 million for the six months ended 30 June 2016 to approximately RMB147.2 million for the Period. The Group continues to tighten its cost control measures. The increase in administrative expenses was primarily attributable to (i) with the expansion of the Group's business scale which is in line with the Group's growing GFA especially the growing GFA under lump sum basis, more back offices function personnel were retained for headquarter management function as well as other centralized services like finance and human resources services; (ii) an increase in the Group's regional administrative costs associated with some of the acquisitions of local property management companies by the Group, as a result of the Group's expansion to new areas/cities; and offset by (iii) a decrease of approximately RMB28.8 million in share-based payment expense.

### ***Expenses Recharged to Residential Communities under Commission Basis***

For the Period, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB37.8 million, representing an increase of approximately 14.2% as compared to approximately RMB33.1 million for the six months ended 30 June 2016. The increase was primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc. Therefore the re-charge of such expenses back to the community level increased consistently.

### ***Finance Costs***

The Group's finance costs was approximately RMB49.2 million for the Period, which was an increase of approximately 339.3% as compared to approximately RMB11.2 million for the corresponding period in 2016, mainly due to (i) an increase of approximately RMB12.5 million in interest expense on the corporate bonds issued in 2016; (ii) an increase of approximately RMB10.3 million in interest expense on assets backed securities under securitisation arrangements; and (iii) an increase of approximately RMB14.3 million in interest expense on bank borrowings.

### ***Share Options***

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

On 29 September 2014, 30 April 2015 and 18 March 2016, the Company granted 45,000,000, 25,000,000 and 34,247,488 share options to its employees, Directors, and certain minority shareholders of the Company's subsidiaries for which the exercise price is HK\$6.66 each, HK\$11.00 each and HK\$5.76 each, respectively. The share option expense charged to the statement of profit or loss for the six months ended 30 June 2017 was approximately RMB22.4 million.

### ***Changes in Fair Value of Investment Properties***

The Group's changes in fair value of investment properties decreased by approximately 165.9% to a loss of approximately RMB2.9 million for the Period from a gain of approximately RMB4.4 million for the six months ended 30 June 2016, which was primarily due to the decline in market value of certain investment properties because of tightening measures in property sectors carried out in lots of Chinese cities.

### ***Income Tax Expenses***

The Group's income tax expenses increased by approximately 38.0% to approximately RMB55.9 million for the Period from approximately RMB40.5 million for the six months ended 30 June 2016. The increase was primarily due to an increase of current tax for EIT by approximately 33.8% from approximately RMB46.4 million for the six months ended 30 June 2016 to approximately RMB62.1 million.



### ***Adjusted Profit for the Period***

Adjusted profit is defined as profit for the period before the costs of the Group's share option program, depreciation, amortisation, allowance debt and impairment loss charged to the statement profit or loss. As these cost items are either non-recurring or non-cash spending, the Company believes that separate analysis of the impacts of these cost items adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. Set forth below is a reconciliation of adjusted profit for the period to the most directly comparable HKFRS measure:

	<b>For the six months ended 30 June</b>		<b>Variance</b>	
	<b>2017</b>	<b>2016</b>	<b>Amount</b>	<b>%</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	
Profit for the period under HKFRS	<b>115,338</b>	85,019	30,319	35.7%
Add:				
Share option expenses	<b>22,397</b>	51,164	(28,767)	(56.2%)
Depreciation and amortisation	<b>22,100</b>	17,030	5,070	29.8%
Allowance for doubtful debts				
on trade receivables	<b>6,534</b>	5,790	744	12.8%
Impairment loss recognized				
on payments on behalf of residents				
under commission basis	<b>5,887</b>	6,211	(324)	(5.2%)
Adjusted profit for the period	<b><u>172,256</u></b>	<b><u>165,214</u></b>	<b><u>7,042</u></b>	<b><u>4.3%</u></b>

Adjusted profit for the Period was approximately RMB172.3 million, representing an increase of approximately 4.3% from approximately RMB165.2 million for the same period in 2016.

### ***Trade and Other Receivables***

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

As at 30 June 2017, total trade receivables of the Group amounted to approximately RMB326.7 million, representing an increase of approximately RMB47.9 million compared to approximately RMB278.8 million as at 31 December 2016. The increase was attributable to the significant increase in GFA from which the Group effectively generated income during the Period.

Other receivables and prepayments increased from approximately RMB203.5 million as at 31 December 2016 to approximately RMB245.0 million as at 30 June 2017. The increase was primarily attributable to: (i) an increase of approximately RMB10.5 million in other deposits mainly due to the development of the online platform Caizhiyun APP, resulting in increasing deposits paid for cooperators and suppliers; (ii) an increase of approximately RMB5.3 million in receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia; (iii) Consideration of approximately RMB12.6 million receivables on disposal of partial interests in subsidiaries resulting in loss of control; (iv) an increase of approximately RMB13.1 million in other receivables due to the Group's business expansion.

### ***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 on commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity status. For the daily management of these property management offices of the residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fees collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

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



### ***Trade and Other Payables***

Trade and other payables primarily comprise items such as payables to sub-contractors of the Group's property management services and engineering services, receipts on behalf of residents for residential communities under lump sum basis and under consultancy services arrangement, advances from customers, deposits received, accrued staff costs, other tax payable, and other payable and accruals, details of which are as follows:

- (1) trade payables increased from approximately RMB114.0 million as at 31 December 2016 to approximately RMB157.4 million as at 30 June 2017. This was primarily due to growth of the Group's property management services business under lump sum basis.
- (2) other payables and accruals decreased from approximately RMB596.2 million as at 31 December 2016 to approximately RMB539.3 million as at 30 June 2017, primarily attributable to: (i) advances from customers under lump sum basis turned into revenue in the Period resulted in a decrease of approximately RMB17.4 million; (ii) a decrease of approximately RMB16.8 million in other tax payable due to settlement during the Period; (iii) a decrease of approximately RMB16.3 million in accrued staff cost; and (iv) a decrease of approximately RMB6.4 million in deposit received and other payables and accruals.

### ***Cash Position***

As at 30 June 2017, the Group's total cash (including restricted bank deposits) decreased by approximately 26.9% from approximately RMB1,247.5 million as at 31 December 2016 to approximately RMB911.3 million. Among the Group's total cash, approximately RMB372.2 million (31 December 2016: approximately RMB492.7 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group.

The financial position remained stable. As at 30 June 2017, the current ratio (current asset/current liabilities) of the Group was 1.7 (31 December 2016: 1.9).

### ***Currency Risk***

The Group principally focused its operations in the PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuation. During the Period, the Directors expected that fluctuations of the RMB exchange rate would not materially and adversely affect the operations of the Group.

### ***Employees and Remuneration Policies***

As at 30 June 2017, excluding the employees for communities under commission basis, the Group had approximately 6,662 employees (31 December 2016: approximately 7,727 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

## **INTERIM DIVIDEND**

The Board had resolved that no interim dividend shall be paid for the Period (six months ended 30 June 2016: nil).

## **CORPORATE GOVERNANCE CODE**

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For the period throughout the six months ended 30 June 2017, the Board is of the view that the Company has complied with all code provisions under the CG Code save for the following deviation:

In respect of the code provision E.1.2 of the CG Code, the Chairmen of the Audit Committee and Remuneration Committee and other committee members were not present at the annual general meeting (“**AGM**”) of the Company held on 24 May 2017 due to other business commitment and no delegate was appointed to attend the AGM.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

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

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

During the six months ended 30 June 2017, the Company had repurchased a total of 2,274,000 shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$10,407,010. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of shares repurchased	Highest price	Lowest price	Aggregate consideration
		paid per share HK\$	paid per share HK\$	
April 2017	970,000	4.66	4.45	4,422,110
June 2017	1,304,000	4.63	4.48	5,984,900

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## 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](http://www.hkexnews.hk)) and the Company ([www.colourlife.hk](http://www.colourlife.hk)). The interim report of the Company for the Period containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

By Order of the Board  
**Colour Life Services Group Co., Limited**  
彩生活服務集團有限公司  
**TANG Xuebin**  
*Executive Director and Chief Executive Officer*

Hong Kong, 24 August 2017

*As at the date of this announcement, the board of directors of the Company comprises Mr. TANG Xuebin and Mr. DONG Dong as executive directors; Mr. PAN Jun, Mr. LAM Kam Tong and Mr. ZHOU Hongyi as non-executive directors; and Mr. TAM Chun Hung, Anthony, Dr. LIAO Jianwen and Mr. XU Xinmin as independent non-executive directors.*