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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

– For the year ended 31 December 2018, profit attributable to owners of the Company increased by approximately 51.3% to approximately RMB485.0 million as compared to that of approximately RMB320.7 million for the year ended 31 December 2017.

– Profit from value-added services was approximately RMB309.2 million (2017: approximately RMB217.9 million), contributing approximately 33.6% to total profit in 2018 from approximately 42.9% in 2017.

– Basic earnings per share increased by approximately 17.7% to approximately RMB37.90 cents in 2018 from approximately RMB32.19 cents in 2017.

– As at 31 December 2018, the Group's total bank balances and cash was approximately RMB2,666.9 million (2017: approximately RMB1,847.5 million), representing an increase of approximately 44.4% as compared to that as at 31 December 2017.

– The Board proposed the payment of a final dividend of HK18 cents per share, representing about 42.2% dividend payout ratio, for the year ended 31 December 2018.

– As at 31 December 2018, the Group's platform service area increased by approximately 222.1 million sq.m. to approximately 1,122.3 million sq.m. from approximately 900.2 million sq.m. as at 31 December 2017.

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 audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue			
Services		**3,565,390**	1,542,290
Rental		**48,268**	86,408
Total revenue	**4**	**3,613,658**	1,628,698
Cost of services		**(2,331,178)**	(898,020)
Gross profit		**1,282,480**	730,678
Other gains and losses	**6**	**18,929**	44,668
Other income	**6**	**56,149**	52,715
Impairment losses, net of reversal	**8**	**(52,424)**	(49,771)
Selling and distribution expenses		**(60,068)**	(26,167)
Administrative expenses		**(375,790)**	(277,215)
Expenses recharged to residential communities under commission basis		**80,002**	67,409
Finance costs	**7**	**(299,072)**	(90,236)
Change in fair value of investment properties		**9,059**	2,840
Share of results of associates		**158**	(279)
Share of results of joint ventures		**10,512**	1,988
Profit before tax		**669,935**	456,630
Income tax expense	**9**	**(151,908)**	(105,981)
Profit for the year	**10**	**518,027**	350,649
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**288**	–
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**(72)**	–
		216	–

	Note	2018 RMB'000	2017 RMB'000
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		**–**	1,897
Deferred taxation effect on change in fair value of available-for-sale investments		**–**	(474)
		–	1,423
Other comprehensive income for the year, net of income tax		**216**	1,423
Total comprehensive income for the year		**518,243**	352,072
Profit for the year attributable to:			
– Owners of the Company		**485,021**	320,657
– Non-controlling interests		**33,006**	29,992
		518,027	350,649
Total comprehensive income for the year attributable to:			
– Owners of the Company		**485,237**	322,080
– Non-controlling interests		**33,006**	29,992
		518,243	352,072
Earnings per share (RMB cents)	**12**		
– Basic		**37.90**	32.19
– Diluted		**37.89**	32.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2018** ***RMB'000***	2017 *RMB'000* *(restated)*
Non-current Assets			
Property, plant and equipment		**236,808**	239,873
Investment properties		**123,544**	70,554
Interests in associates		**41,887**	23,692
Interests in joint ventures		**100,754**	45,645
Equity instruments designated at FVTOCI		**120,455**	–
Available-for-sale investments		**–**	148,457
Intangible assets		**1,146,946**	1,274,453
Goodwill		**2,248,054**	2,208,089
Contract assets		**21,804**	–
Trade receivables	**13**	**–**	10,983
Other receivables and prepayments		**6,286**	6,989
Loan receivables		**35,868**	44,794
Deferred tax assets		**48,985**	37,342
Amount due from a director		**–**	323
Amount due from a joint venture		**81,505**	–
Deposits paid for potential acquisition of subsidiaries		**69,834**	52,793
		4,282,730	4,163,987
Current Assets			
Inventories		**4,631**	7,331
Contract assets		**57,761**	–
Amounts due from customers for contract works		**–**	43,693
Trade receivables	**13**	**629,710**	538,312
Other receivables and prepayments		**714,564**	471,590
Loan receivables		**211,343**	39,550
Payments on behalf of residents		**778,617**	522,495
Amounts due from fellow subsidiaries		**172,299**	447,001
Amounts due from non-controlling shareholders of the subsidiaries		**119,230**	113,153
Amounts due from related parties		**16,072**	15,477
Amounts due from associates		**15,905**	27,567
Amounts due from joint ventures		**24,447**	5,292
Amount due from a director		**–**	60
Financial assets at fair value through profit or loss ("FVTPL")		**26,062**	191,898
Pledged bank deposits		**346,000**	377,175
Bank balances and cash		**2,666,922**	1,847,528
		5,783,563	4,648,122

	Notes	2018 *RMB'000*	2017 *RMB'000* *(restated)*
Current Liabilities			
Contract liabilities		**238,692**	–
Amounts due to customers for contract works		**–**	13,778
Trade payables	**14**	**504,403**	284,159
Other payables and accruals		**967,730**	1,207,825
Receipts on behalf of residents		**406,676**	382,355
Amounts due to fellow subsidiaries		**458,306**	12,740
Amounts due to non-controlling shareholders of the subsidiaries		**38,561**	16,472
Amounts due to associates		**19,971**	13,513
Amounts due to joint ventures		**367**	7,153
Amounts due to related parties		**11,769**	–
Tax liabilities		**194,140**	179,000
Borrowings due within one year		**1,362,868**	674,030
Corporate bonds due within one year		**181,497**	16,300
Asset-backed securities issued due within one year		**208,636**	42,533
		4,593,616	2,849,858
Net Current Assets		**1,189,947**	1,798,264
Total Assets Less Current Liabilities		**5,472,677**	5,962,251
Non-current Liabilities			
Deferred tax liabilities		**308,581**	338,125
Amount due to a fellow subsidiary		**1,282**	2,271
Borrowings due after one year		**1,720,888**	1,395,170
Corporate bonds due after one year		**134,004**	536,302
Asset-backed securities issued due after one year		**51,783**	185,204
Total Non-current Liabilities		**2,216,538**	2,457,072
Net Assets		**3,256,139**	3,505,179
Capital and Reserves			
Share capital	**15**	**106,800**	78,945
Reserves		**3,028,668**	3,320,026
Equity attributable to owners of the Company		**3,135,468**	3,398,971
Non-controlling interests		**120,671**	106,208
Total Equity		**3,256,139**	3,505,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK").

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

2. BASIS OF PREPARATION

Merger Accounting For Business Combination Involving Entities Under Common Control

Pursuant to a series of agreements dated 14 November 2017 entered into between the Group, Fantasia Holdings Group Co., Limited ("Fantasia Holdings") and certain subsidiaries of Fantasia Holdings other than the Group (together with Fantasia Holdings, referred to as "Fantasia Group"), transferred 100% beneficial interest in Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) (深圳市幸福萬象投資合夥企業(有限合夥)) ("Shenzhen Wanxiang") and 100% equity interest in Wanxiangmei Property Management Co., Ltd. (萬象美物業管理有限公司) ("Wanxiangmei") (collectively referred to as the "Target Group") to the Group (the "Transaction").

On 29 December 2017, Fantasia Group obtained 100% beneficial interest in Shenzhen Wanxiang and 100% equity interest in Wanxiangmei. The directors of the Company have determined that the application of merger accounting to the Transaction, being a business combination involving entities under common control under Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), will provide more relevant and useful information to financial statement users as it better reflects the economic substance of the Transaction.

The consolidated statement of financial position as at 31 December 2017 has been restated to adjust the carrying amounts of the assets and liabilities of the entities or business acquired from certain subsidiaries of Fantasia Group other than the Group as if those entities or business were combined from 29 December 2017, the date when they first came under the control of Fantasia Group.

The effect of restatements described above on the consolidated statement of financial position as at 31 December 2017 has resulted an increase in the Group's total net assets by RMB1,678,171,000.

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

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

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

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

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

3.2 HKFRS 9 "Financial Instruments"

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

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

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

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be adjusted. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (restated under merger accounting) *RMB'000*	**HKFRS 15** *RMB'000*	**HKFRS 9** *RMB'000*	**1 January 2018 (adjusted)** *RMB'000*
Non-current Assets				
Equity instruments designated at FVTOCI	–	–	148,457	148,457
Available-for-sale investments	148,457	–	(148,457)	–
Contract assets	–	10,983	–	10,983
Trade receivables	10,983	(10,983)	–	–
Deferred tax assets	37,342	–	2,623	39,965
Current Assets				
Contract assets	–	54,258	(2,009)	52,249
Amounts due from customers for contract works	43,693	(43,693)	–	–
Trade receivables	538,312	(10,565)	(1,557)	526,190
Payments on behalf of residents	522,495	–	(6,927)	515,568
Current Liabilities				
Contract liabilities	–	473,928	–	473,928
Amounts due to customers for contract works	13,778	(13,778)	–	–
Other payables and accruals	1,207,825	(460,150)	–	747,675
Net Current Assets	1,798,264	–	(10,493)	1,787,771
Total Assets Less Current Liabilities	5,962,251	–	(7,870)	5,954,381
Net Assets	3,505,179	–	(7,870)	3,497,309
Capital and Reserves				
Reserves	3,320,026	–	(7,607)	3,312,419
Equity attributable to owners of the Company	3,398,971	–	(7,607)	3,391,364
Non-controlling interests	106,208	–	(263)	105,945
Total Equity	3,505,179	–	(7,870)	3,497,309

New and revised HKFRSs in issue but not yet effective

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

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

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

4. REVENUE FROM SERVICES

A. For the year ended 31 December 2018

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

B. For the year ended 31 December 2017

Revenue from major services for the year ended 31 December 2017 is set out in note 5.

5. SEGMENT INFORMATION

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

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

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

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

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

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

Segment revenues and results

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

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

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

Segment assets and liabilities

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

Revenue and results from major services

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

	Property management services *RMB'000*	**Value-added services** *RMB'000*	**Engineering services** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2018					
External revenue	**3,064,059**	**408,419**	**141,180**	**–**	**3,613,658**
Elimination	**–**	**153,516**	**13,088**	**(166,604)**	**–**
Revenue from major services	**3,064,059**	**561,935**	**154,268**	**(166,604)**	**3,613,658**
Profit from major services	**529,036**	**309,229**	**80,694**	**–**	**918,959**

	Property management services *RMB'000*	Value-added services *RMB'000*	Engineering services *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2017					
External revenue	1,231,285	276,804	120,609	–	1,628,698
Elimination	–	26,191	12,938	(39,129)	–
Revenue from major services	1,231,285	302,995	133,547	(39,129)	1,628,698
Profit from major services	239,344	217,854	51,143	–	508,341

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

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

Information about major customers

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

6. OTHER GAINS AND LOSSES AND OTHER INCOME

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

7. FINANCE COSTS

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

8. IMPAIRMENT LOSSES, NET OF REVERSAL

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

9. INCOME TAX EXPENSE

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

10. PROFIT FOR THE YEAR

	2018 *RMB'000*	2017 *RMB'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,997**	5,048
Other staffs' salaries and other benefits	**1,036,343**	559,976
Retirement benefits scheme contributions	**133,434**	49,312
Share-based payment expenses	**15,800**	43,100
Total staff costs	**1,191,574**	657,436
Auditors' remuneration	**4,100**	3,219
Amortisation of intangible assets	**136,427**	28,702
Depreciation for property, plant and equipment	**69,632**	38,187
Minimum lease payments under operating leases in rented premises	**4,160**	49,433

11. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Dividends recognised as distribution during the year:		
2017 final dividend HK15 cents (2017: 2016 final dividend HK10 cents) per share	**166,237**	86,718

Subsequent to 31 December 2018, a final dividend for the year ended 31 December 2018 of HK18.00 cents, equivalent to RMB15.40 cents (2017: HK15.00 cents, equivalent to RMB12.11 cents) per share amounting to RMB204,578,000 in aggregate has been proposed by the directors for approval by the shareholders of the company in the forthcoming annual general meeting. The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

12. EARNINGS PER SHARE

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

	2018	2017
Earnings *(RMB'000)*		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**485,021**	320,657
Number of shares *('000)*		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,279,781**	996,174
Effect of dilutive potential ordinary shares:		
Share options	**456**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,280,237**	996,174

For the year ended 31 December 2017, the computation of diluted earnings per share did not assume the exercise of share options granted by the Company as the exercise prices of the options were higher than the average market price per share in 2017.

13. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Trade receivables		
– services	**627,072**	533,304
– leasing	**46,922**	33,884
– retention receivables	**–**	679
– unbilled revenue	**–**	20,869
	673,994	588,736
Less: allowance for credit losses	**(44,284)**	(39,441)
Total trade receivables	**629,710**	549,295
Classified as:		
Non-Current	**–**	10,983
Current	**629,710**	538,312
	629,710	549,295

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
0–30 days	**256,004**	209,524
31–90 days	**168,111**	132,118
91–180 days	**121,741**	117,812
181–365 days	**53,991**	51,964
Over 1 year	**29,863**	37,877
	629,710	549,295

14. TRADE PAYABLES

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
0–60 days	**321,442**	177,014
61–180 days	**129,429**	79,717
181–365 days	**36,924**	18,395
Over 1 year	**16,608**	9,033
	504,403	284,159

15. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 31 December 2018		50,000,000	5,000,000
Issued and fully paid:			
At 1 January 2017		1,000,119	100,012
Cancelled upon repurchase of shares	(a)	(4,378)	(438)
At 31 December 2017		995,741	99,574
Issue of shares upon combination of entities under common control	(b)	**231,500**	**23,150**
Placement of new shares	(c)	**87,246**	**8,725**
Issue of shares upon exercise of share options	(d)	**14,151**	**1,415**
At 31 December 2018		**1,328,638**	**132,864**

	Amount RMB'000
Shown in the consolidated financial statements:	
At 31 December 2018	**106,800**
At 31 December 2017	78,945

Notes:

(a) During the year ended 31 December 2017, a total of 4,378,000 shares were repurchased at a total consideration of RMB18,787,000 and cancelled.

(b) Pursuant to the sales and purchase agreement between the Group and Fantasia Group, the consideration of the Transaction was satisfied by the issuance of 231,500,000 ordinary shares of the Company to Fantasia Holdings and cash of RMB1,014,174,000 in which RMB595,487,000 was settled during the current year and remaining balance of RMB418,687,000 is recognised as amounts due to fellow subsidiaries. The shares were issued on 7 March 2018 and the fair value of the shares issued, based on the quoted price of the shares on that date, was HK$1,122,775,000 (equivalent to RMB907,225,000).

(c) On 5 January 2018, the Company issued 87,246,000 new ordinary shares for subscription price of HK$5.00 per shares to existing non-controlling shareholders of the Company at a total consideration of RMB352,296,000. The subscription price represented a discount of approximately 7.92% to the closing price of HK$5.43 as quoted on the SEHK on 5 January 2018, being the date of subscription agreement. The shares rank pari passu with the then existing shares in issue in all respects.

(d) During the year ended 31 December 2018, the Company issued 14,151,000 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB75,870,000 in aggregate. The exercise price of the share options during the year ranging from HK$5.76 to HK$6.66 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

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

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

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

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

The Group will grow the corresponding value-added services and organically integrate the community's online and offline businesses, which will further enhance the Group's competitive edges.

Business Development

Usually, property developers are required to engage property management companies before they obtain the pre-sale permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contract will be integrated into the Group's contracted GFA under management. Property developers will issue a occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of contracted GFA under management will thus be called the "revenue-bearing GFA". The difference between the total contract GFA and the revenue-bearing GFA is the reserved GFA which will be transferred to the revenue-bearing GFA in future. On the other hand, the Group adhered to its strategy of rapid expansion in recent years. It started to provide the underlying technology of Caizhiyun APP to other enterprises in the industry. Today, Caizhiyun APP can serve the communities which our partners have provided property management services. The area managed by our partners is called the "cooperated GFA". In addition, Colour Life has cooperated with Shanghai Yinwan Life Network Co., Ltd. (hereinafter referred to as "Shanghai Yinwan") since 2016. Shanghai Yinwan has also launched its online platform through its strategic alliance with other property management companies. Therefore, the above property management companies also indirectly cooperate with Colour Life, and will use the online platform of Colour Life in future. The area which is provided property management services by the companies under the strategic alliance with Shanghai Yinwan is called the "allianced GFA". The aggregate area of Caizhiyun platform's coverage over communities is collectively referred to as the platform service area.

The Group adheres to its strategy of rapid expansion of the service area of the platform. On 28 February 2018, the Group held an extraordinary general meeting at which the proposed resolution relating to the acquisition of the Target Group, was passed by the independent shareholders. The total consideration included the cash consideration of RMB1,014,174,000 and the issue of 231,500,000 ordinary shares of the Company to Fantasia Holdings. Wanxiangmei became a wholly-owned subsidiary of the Group. Wanxiangmei is a comprehensive community services operator, whose projects include ordinary residences, luxury residences and such commercial properties as office buildings and SOHO. After completing the consolidation of Wanxiangmei's financial statements, Colour Life can not only expand the area under management, but also further enrich the portfolio of management projects, thus creating stronger scale economies effects and synergy effects.

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

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

On the other hand, the transformation of the Group's business structure became more secure with the supporting business and financial data. Despite the impact of the increase in property management service income from the acquisition of Wanxiangmei, in 2018, the contribution of value-added services to the Group's profit still maintained at a high of 33.6%. This was benefited from the richer portfolios of product companies in the ecosystem as well as better recognition of the value-added services by property owners. Under the encouraging development trend of the value-added services, the Group formulated platform output strategy in a timely manner. Through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. During the reporting period, the Group entered into cooperation with Shaanxi Wanyuan Property Management Group Co., Ltd. (陝西萬源物業管理集團有限公司) through the platform output, which entered into government outsourced contracts for "water, electricity, heating and property management services" in Shaanxi Province. It reached cooperation with Changsha Public Security Bureau, which fully demonstrated the scientific and technological strength of the online platform of Colour Life. As at 31 December 2018, the service area of Colour Life's platform was 1,122.3 million sq. m., which included 553.7 million sq. m. for Contracted GFA, 318.6 million sq. m. for cooperated area and 250.0 million sq.m. for allianced area.

As at 31 December 2018, the locations of communities where the Group managed, provided consultancy services and cooperated with were as follows:

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

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

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

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

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

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

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

As at 31 December 2018, the Group recorded a sustained growth in total platform service area. The following table sets out the total contracted gross floor area ("GFA") and the number of communities where the Group managed, provided consultancy services and entered into cooperation in respect of platform service in different regions across China as at the dates indicated below:

	As at 31 December 2018						As at 31 December 2017					
	Managed by the Group		**Under the Group's consultancy service arrangements**		**Cooperated with the Group**		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Total Contracted GFA *('000 sq.m.)*	**Number**	**Total Contracted GFA** *('000 sq.m.)*	**Number**	**Total Contracted GFA** *('000 sq.m.)*	**Number**	Total Contracted GFA *('000 sq.m.)*	Number	Total Contracted GFA *('000 sq.m.)*	Number	Total Contracted GFA *('000 sq.m.)*	Number
Shenzhen	**9,833**	**132**	**753**	**18**	**193**	**4**	9,644	130	754	18	–	–
Southern China (excluding Shenzhen)[1]	**90,649**	**565**	**2,589**	**8**	**71,085**	**589**	75,153	508	7,621	23	44,403	288
Eastern China[2]	**142,665**	**861**	**2,019**	**7**	**53,332**	**414**	115,318	744	11,357	31	27,534	290
Southwestern China[3]	**100,083**	**402**	**968**	**3**	**91,499**	**388**	83,778	352	2,163	6	82,609	352
Northeastern China[4]	**21,462**	**99**	**1,216**	**8**	**3,301**	**6**	11,358	59	3,758	17	881	5
Northwestern China[5]	**16,687**	**91**	**3,506**	**2**	**46,603**	**453**	14,594	68	275	2	35,313	359
Northern China[6]	**35,221**	**142**	**2**	**1**	**7,826**	**47**	17,853	79	2,585	7	1,942	19
Central China[7]	**125,699**	**369**	**300**	**1**	**44,760**	**314**	76,571	331	3,202	9	21,548	157
Total[8]	**542,299**	**2,661**	**11,353**	**48**	**318,599**	**2,215**	404,269	2,271	31,715	113	214,230	1,470

Notes:

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

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

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

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

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

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

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

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

As at 31 December 2018, the Group extended its total contracted GFA coverage to 268 cities in China. As at 31 December 2018, the Group managed 2,661 communities with an aggregate contracted GFA of approximately 542.3 million sq.m. and entered into consultancy service contracts with 48 communities with an aggregate contracted GFA managed by the Group under the consultancy service arrangements of approximately 11.4 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of total contracted GFA and the number of communities where the Group managed, provided consultancy services to and cooperated with at the end of 2018:

	As at 31 December 2018						As at 31 December 2017					
	Managed by the Group		**Under the Group's consultancy service arrangements**		**Cooperated with the Group**		Managed by the Group		Under the Group's consultancy service arrangements		Cooperated with the Group	
	Total Contracted GFA ***('000 sq.m.)***	**Number of residential communities**	**Total Contracted GFA** ***('000 sq.m.)***	**Number of residential communities**	**Total Contracted GFA** ***('000 sq.m.)***	**Number of residential communities**	Total Contracted GFA *('000 sq.m.)*	Number of residential communities	Total Contracted GFA *('000 sq.m.)*	Number of residential communities	Total Contracted GFA *('000 sq.m.)*	Number of residential communities
As at the beginning of the year	**404,269**	**2,271**	**31,715**	**113**	**214,230**	**1,470**	357,521	2,172	37,599	167	124,445	836
New engagements[1]	**69,938**	**195**	**4,328**	**2**	**–**	**–**	51,159	133	1,027	3	–	–
Acquisitions[2]	**53,839**	**279**	**–**	**–**	**–**	**–**	6,827	54	–	–	–	–
New cooperation[3]	**–**	**–**	**–**	**–**	**104,369**	**745**	–	–	–	–	84,080	603
Transfer from consultancy service to self-management[4]	**23,547**	**65**	**(23,547)**	**(65)**	**–**	**–**	5,362	40	(5,362)	(40)	–	–
Transfer from self-management to consultancy service[5]	**–**	**–**	**–**	**–**	**–**	**–**	(454)	(1)	454	1	–	–
Transfer from self-management to cooperation[6]	**–**	**–**	**–**	**–**	**–**	**–**	(5,705)	(31)	–	–	5,705	31
Terminations[7]	**(9,294)**	**(149)**	**(1,143)**	**(2)**	**–**	**–**	(10,441)	(96)	(2,003)	(18)	–	–
As at the end of the year	**542,299**	**2,661**	**11,353**	**48**	**318,599**	**2,215**	404,269	2,271	31,715	113	214,230	1,470

Notes:

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

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

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

(4) The Group managed to acquire some of the property management companies to which it provided consultancy service previously, through acquisition of subsidiaries or revision of the service agreement, resulting in the relevant communities under the Group's consultancy service arrangements transferred into those the Group managed. During the reporting period, the Group acquired Wanxiangmei, so those residential GFA of Wanxiangmei under the Group's consultancy services were transferred to the GFA under the Group's self-management.

(5) The Group ceased to renew certain property management contracts when these contracts expired. However, developers or residents committees may still want to enjoy the Group's services, then the Group can sign an consultant contract with them.

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

(7) Including the contracted GFA and the number of communities which the Group ceased to renew certain property management contracts and manage primarily due to commercial factors.

Business Overview

The Group has three main businesses:

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

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

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

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

Scope of Services for Property Management Services

As at 31 December 2018, the Group employed over 56,466 on-site personnel (including staffs employed by the Group and the staffs outsource to third parties) to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 2018		As at 31 December 2017	
	Under commission basis *(RMB/sq.m./ month)*	**Under lump sum basis *(RMB/sq.m./ month)***	Under commission basis *(RMB/sq.m./ month)*	Under lump sum basis *(RMB/sq.m./ month)*
Shenzhen	**0.35–10.9**	**1.0–8.0**	0.35–10.0	1.0–8.0
Southern China (excluding Shenzhen)(1)	**0.45–5.91**	**0.68–8.0**	0.45–5.57	0.68–8.0
Eastern China(2)	**0.36–9.36**	**0.75–8.83**	0.36–9.36	0.75–6.5
Southwestern China(3)	**0.41–6.14**	**0.3–6.8**	0.39–6.14	0.3–6.29
Northeastern China(4)	**0.40–3.27**	**2.0–6.0**	0.40–3.27	2.0–5.0
Northwestern China(5)	**0.45–3.9**	**1.1–7**	0.45–3.9	1.1–5
Northern China(6)	**0.6–4.5**	**1.0–8.0**	0.6–4.49	1.0–7.87
Central China(7)	**0.55–3.0**	**0.85–5.0**	0.55–2.73	0.85–4.8

Notes:

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

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

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

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

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

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

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

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

Property Management Services under Commission Basis

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

Property Management Services under Lump Sum Basis

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

Pre-sale Services

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

Consultancy Services

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

As at 31 December 2018, the Group provided consultancy services to 48 communities and the area of consultancy services was 11.4 million sq.m.. In the reporting period, the Group has completed the acquisition of Wanxiangmei and the area previously included in the consultancy services has been converted to contracted area managed by the Group.

Scope of Services for Value-added Services

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

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

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

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

In addition, on 31 March 2018, the Group cooperated with "Colour Benefit Life" platform and combined the Community new retail model with the scene of paying property management fees. Purchasing goods and services required for daily life through "Colour Benefit Life", community residents can deduct the property management fees that they need to pay. Due to the accurate grasp of the demands of residents by first-line employees of the Group and the trust of the residents to the Group, the marketing expenses of the goods and service suppliers are reduced, and these suppliers will return the partially reduced marketing expenses to the household as property management fee. "Colour Benefit Life" ("彩惠人生") allows property owners to enjoy the benefit of reduction of property fees, so that quality merchants can directly access the community market channels, and property management companies can improve the collection rate and service efficiency so as to achieve a win-win situation for all parties involved. After nine months of its launch, as at 31 December 2018, the accumulated transactions were 1,824.6 thousand orders and the accumulated GMV of "Colour Benefit Life" ("彩惠人生") was RMB70.9 million. The accumulated offset to property management fees was RMB36.2 million and 260 thousand families were relieved of property management fees.

On the other hand, the Group constructs an open ecosystem and works with partners to explore value-added business development based on diverse community scenarios. At present, the entire ecosystem platform has more than 40 ecosystem companies participating in community service in different dimensions. Among them, e-Lift builds the SaaS (Software-as-a-Service) platform covering the whole life cycle of lifts, and enters 215 cities nationwide. The number of lifts on e-Lift platform has exceeded 160 thousand units, including over 140 thousand lifts in communities not managed by the Group. Meanwhile, based on its transformation towards platform-based and digitalization, e-Lift cooperated with nine major insurance companies, jointly introduced insurance products on lift safety services and established the new model of "insurance + operation + services" in the lift industry.

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

Online promotion services

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

Sales and rental assistance

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

Other value-added services

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

Scope of Services for Engineering Services

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

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

For the twelve months ended 31 December 2018, the Group continued to carry out the Internet-based transformation to the projects under its management, pushing forward the optimization and upgrade of Smart Community Model from Version 3.3 to Version 4.0. Version 4.0 focuses on the property owners satisfying multi-dimension needs for easy community life. It strengthens the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR Code/face recognition access control, vehicle license recognition system in car park etc., so as to realise centralized management control, replacing labour with equipment, saving energy and duty, enhancing efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's headquarter cloud system. For example, real-time picture of the operation condition in the community under the Group's management will be sent to the headquarter of the Group using remote monitoring technology. The Group's headquarter cloud system will assign correction task for area with potential problem and follow up the results.

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

Installation service fees from provision of engineering services

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

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

Services fee from provision of repair and maintenance services

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

Equipment leasing services

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

Services fee from provision of energy-saving services

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

Review and Analysis

Revenue

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

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

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

Property Management Services

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

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

Such increase was primarily attributable to:

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

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

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

(d) Revenue from services fees charged under consultancy services contracts decreased by RMB46.5 million, which is mainly due to the change of the areas with fees charged under consultancy services pursuant to the consultancy contract between Shenzhen Kaiyuan International Property Management Co., Ltd. 深圳市開元國際物業管理有限公司 ("Kaiyuan International") and Wanxiangmei entered into on 2 August 2016 into the areas with fees charged under lump sum basis as a result of consolidation of Wanxiangmei into the Group.

Value-added Services

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

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

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

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

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

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

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

Engineering Services

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

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

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

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

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

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

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

Cost of Services

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

Gross Profit and Gross Profit Margin

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

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

(i) Property Management Services

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

(ii) Value-added Services

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

(iii) Engineering Services

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

Other Gains and Losses

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

Other Income

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Expenses recharged to Residential Communities under Commission Basis

For the year ended 31 December 2018, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB80.0 million, representing an increase of approximately 18.7% as compared to approximately RMB67.4 million for the year ended 31 December 2017. The slight increase was primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc., and as such the re-charge of such expenses back to the community level increased consistently.

Finance Costs

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

Share Options

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

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

Changes in Fair Value of Investment Properties

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

Income Tax Expenses

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

Property, Plant and Equipment

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

Intangible Assets

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

Investment Properties

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

Equity instruments designated FVTOCI

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

Goodwill

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

Deferred Taxes

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

Bank balances and cash

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

Trade and other Receivables and prepayments

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

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

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

Payments/Receipts on Behalf of Residents

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

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

Trade and Other Payables and Accruals

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

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

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

Share Capital

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

Cash Position

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

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

Borrowings and Charges on the Group's Assets

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

Net Gearing Ratio

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

Currency Risk

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

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

Employees and Remuneration Policies

As at 31 December 2018, excluding the employees for communities under commission basis, the Group had approximately 14,161 employees (31 December 2017: approximately 7,213 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

DIVIDENDS DISTRIBUTION

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

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 22 May 2019 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 16 May 2019 to Wednesday, 22 May 2019, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2019.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 28 May 2019 to Thursday, 30 May 2019, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

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 Listing Rules. For the year ended 31 December 2017, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provision E.1.2.

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

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 December 2018 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors, namely, Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin.

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 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2018.

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

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

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

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

Pursuant to the sales and purchase agreement between the Group and Fantasia Group, the consideration of the Transaction was satisfied by the issuance of 231,500,000 ordinary shares of the Company to Fantasia Holdings and cash of RMB1,014,174,000 in which RMB595,487,000 was settled during the current year and remaining balance of RMB418,687,000 is recognised as amounts due to fellow subsidiaries. The shares were issued on 7 March 2018 and the fair value of the shares issued, based on the quoted price of the shares on that date, was HK$1,122,775,000 (equivalent to RMB907,225,000).

On 5 January 2018, the Company issued 87,246,000 new ordinary shares for subscription price of HK$5.00 per shares to existing non-controlling shareholders of the Company at a total consideration of RMB352,296,000. The subscription price represented a discount of approximately 7.92% to the closing price of HK$5.43 as quoted on the SEHK on 5 January 2018, being the date of subscription agreement. The shares rank pari passu with the then existing shares in issue in all respects.

During the year ended 31 December 2018, the Company issued 14,151,000 ordinary shares of HK$0.10 each upon exercise of share options at a total consideration of RMB75,870,000 in aggregate. The exercise price of the share options during the year ranging from HK$5.76 to HK$6.66 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

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 year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 2018 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.

ACKNOWLEDGEMENT

The excellent performance of the Company was really founded on the tremendous support from all sectors and the diligent fulfillment and contribution of all our staff. On behalf of the Board, the Company would like to take this opportunity to express its heartfelt thanks to all shareholders, investors, partners and customers for their trust and support. The Company will adhere to the concept of maintaining a close relationship with customers and developing a light asset based business so as to become a leader in the community services sector and create valuable life to its customers continuously and thoroughly with new ideas. The Company dedicates to maximise the value for its shareholders and investors in creating the best returns.

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, 27 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Tang Xuebin, Mr. Dong Dong and Mr. Huang Wei; the non-executive directors of the Company are Mr. Pan Jun and Mr. Zhou Hongyi; and the independent non-executive directors of the Company are Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin.