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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- For the year ended 31 December 2019, the total revenue of the Group increased by approximately 6.4% to approximately RMB3,845.0 million from approximately RMB3,613.7 million for the year ended 31 December 2018.
- For the year ended 31 December 2019, profit attributable to owners of the Company increased by approximately 2.8% to approximately RMB498.6 million as compared to that of approximately RMB485.0 million for the year ended 31 December 2018.
- As at 31 December 2019, the Group's total debt balance decreased by approximately 37.3% to approximately RMB2,294.6 million from approximately RMB3,659.7 million as at 31 December 2018.
- The Board proposed the payment of a final dividend of RMB9.12 cents per share, representing about 25% dividend payout ratio, for the year ended 31 December 2019. Shareholders have the option of receiving their dividends in the form of new shares instead of cash.
- As at 31 December 2019, the Group's platform service area increased by approximately 88.4 million sq.m. to approximately 1,210.7 million sq.m. from approximately 1,122.3 million sq.m. as at 31 December 2018.
- In recognition of the Group's core values, JD.com and 360.com subscribed for 71,149,000 and 22,956,000 new ordinary shares of the Company at the price of HK\$5.22 per share, respectively. Upon completion of the transactions during the year, the aggregate interests of JD.com (including its related parties) and 360.com in the Company (including its related parties) accounted for 5.00% and 3.05%, respectively, of the Group's enlarged equity interest. The details of these transactions were disclosed in the announcements of the Company dated 19 July 2019 and 23 August 2019 and the circular of the Company dated 8 August 2019.

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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Revenue			
Contracts with customers	3	3,845,003	3,565,390
Leases		<u>–</u>	<u>48,268</u>
Total revenue	4	3,845,003	3,613,658
Cost of services		<u>(2,489,567)</u>	<u>(2,331,178)</u>
Gross profit		1,355,436	1,282,480
Other income	5	48,690	56,149
Other gains and losses	5	(19,189)	18,929
Impairment losses under expected credit loss model, net of reversal	6	(86,679)	(52,424)
Selling and distribution expenses		(62,884)	(60,068)
Administrative expenses		(413,293)	(375,790)
Expenses recharged to residential communities under commission basis		81,033	80,002
Finance costs	7	(201,711)	(299,072)
Change in fair value of investment properties		1,006	9,059
Share of results of associates		3,938	158
Share of results of joint ventures		<u>9,900</u>	<u>10,512</u>
Profit before tax		716,247	669,935
Income tax expense	8	<u>(180,556)</u>	<u>(151,908)</u>
Profit for the year	9	<u>535,691</u>	<u>518,027</u>

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		(1,772)	288
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		443	(72)
Other comprehensive (expense) income for the year, net of income tax		(1,329)	216
Total comprehensive income for the year		<u>534,362</u>	<u>518,243</u>
Profit for the year attributable to:			
Owners of the Company		498,570	485,021
Non-controlling interests		37,121	33,006
		<u>535,691</u>	<u>518,027</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		497,241	485,237
Non-controlling interests		37,121	33,006
		<u>534,362</u>	<u>518,243</u>
Earnings per share – basic (RMB cents)	<i>11</i>	<u>36.48</u>	<u>37.90</u>
Earnings per share – diluted (RMB cents)	<i>11</i>	<u>36.48</u>	<u>37.89</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		202,735	236,808
Right-of-use assets		85,161	–
Investment properties		155,040	123,544
Interests in associates		55,557	41,887
Interests in joint ventures		100,224	100,754
Equity instruments designated at FVTOCI		121,735	120,455
Goodwill		2,317,252	2,248,054
Intangible assets		1,091,235	1,146,946
Contract assets		22,229	21,804
Other receivables		5,900	6,286
Loan receivables		7,858	35,868
Pledged bank deposits		90,500	–
Deferred tax assets		61,806	48,985
Amount due from a joint venture		72,899	81,505
Deposits paid for potential acquisition of subsidiaries		9,868	69,834
		<hr/> 4,399,999	<hr/> 4,282,730
Current Assets			
Inventories		3,700	4,631
Contract assets		45,464	57,761
Trade receivables	12	658,244	629,710
Other receivables and prepayments		745,853	714,564
Loan receivables		201,616	211,343
Payments on behalf of residents		908,465	778,617
Amounts due from fellow subsidiaries		189,025	172,299
Amounts due from non-controlling shareholders of the subsidiaries		94,956	119,230
Amounts due from related parties		64,311	16,072
Amounts due from associates		19,275	15,905
Amounts due from joint ventures		196,661	24,447
Financial assets at fair value through profit or loss (“FVTPL”)		3,000	26,062
Pledged bank deposits		124,146	346,000
Bank balances and cash		1,721,228	2,666,922
		<hr/> 4,975,944	<hr/> 5,783,563

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current Liabilities			
Trade payables	13	401,176	504,403
Other payables and accruals		886,679	967,730
Contract liabilities		350,215	238,692
Receipts on behalf of residents		403,862	406,676
Lease liabilities due within one year		2,300	–
Amounts due to fellow subsidiaries		341,809	458,306
Amounts due to non-controlling shareholders of the subsidiaries		57,647	38,561
Amounts due to associates		9,744	19,971
Amounts due to joint ventures		36,234	367
Amounts due to related parties		8,113	11,769
Tax liabilities		229,949	194,140
Borrowings due within one year		752,576	1,362,868
Corporate bonds due within one year		149,786	181,497
Asset-backed securities issued due within one year		87,483	208,636
		<u>3,717,573</u>	<u>4,593,616</u>
Net Current Assets		<u>1,258,371</u>	<u>1,189,947</u>
Total Assets Less Current Liabilities		<u>5,658,370</u>	<u>5,472,677</u>
Non-current Liabilities			
Deferred tax liabilities		290,136	308,581
Amount due to a fellow subsidiary		126	1,282
Lease liabilities due after one year		11,343	–
Borrowings due after one year		1,287,704	1,720,888
Corporate bonds due after one year		–	134,004
Asset-backed securities issued due after one year		17,065	51,783
		<u>1,606,374</u>	<u>2,216,538</u>
Total Non-current Liabilities		<u>1,606,374</u>	<u>2,216,538</u>
Net Assets		<u>4,051,996</u>	<u>3,256,139</u>
Capital and Reserves			
Share capital		115,134	106,800
Reserves		3,755,045	3,028,668
		<u>3,870,179</u>	<u>3,135,468</u>
Equity attributable to owners of the Company		3,870,179	3,135,468
Non-controlling interests		181,817	120,671
		<u>181,817</u>	<u>120,671</u>
Total Equity		<u><u>4,051,996</u></u>	<u><u>3,256,139</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

Colour Life Services Group Co., Limited 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 “Stock Exchange”).

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. 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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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.

HKFRS 16 “Leases”

The Group has applied HKFRS 16 “Leases” (“HKFRS 16”) for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 8.47% per annum.

The Group recognised both lease liabilities and right-of-use assets of RMB12,370,000 at 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The application of HKFRS 16 as a lessor does not have a material impact on the retained profits at 1 January 2019.

Amendments to HKAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarify that an entity applies HKFRS 9 “Financial Instruments” (“HKFRS 9”), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 1 January 2019, amount due from a joint ventures of RMB81,505,000 are considered as long-term interest that, in substance form part of the Group’s net investment in the relevant joint venture. However, the application is not expected to have impact as the Group’s existing accounting policies are consistent with the requirements clarified by the amendments.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 ⁴
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² 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.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

	Property management services <i>RMB'000</i>	Value-added services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
<u>Property management services</u>				
Lump sum basis	2,989,342	–	–	2,989,342
Pre-delivery services	123,695	–	–	123,695
Commission basis	196,041	–	–	196,041
Consultancy service fees	32,423	–	–	32,423
	<u>3,341,501</u>	<u>–</u>	<u>–</u>	<u>3,341,501</u>
<u>Value-added services</u>				
Online promotion services	–	148,295	–	148,295
Sales and rental assistance	–	147,316	–	147,316
Other value-added services	–	105,690	–	105,690
	<u>–</u>	<u>401,301</u>	<u>–</u>	<u>401,301</u>
<u>Engineering services</u>				
Equipment installation services	–	–	71,333	71,333
Repair and maintenance services	–	–	14,041	14,041
Energy-saving service fees	–	–	16,827	16,827
	<u>–</u>	<u>–</u>	<u>102,201</u>	<u>102,201</u>
	<u>3,341,501</u>	<u>401,301</u>	<u>102,201</u>	<u>3,845,003</u>
Timing of revenue recognition				
A point in time	–	147,316	–	147,316
Over time	3,341,501	253,985	102,201	3,697,687
	<u>3,341,501</u>	<u>401,301</u>	<u>102,201</u>	<u>3,845,003</u>

For the year ended 31 December 2018

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

4. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the geographical locations which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different geographical locations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

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

	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2019						
Segment revenue	<u>995,925</u>	<u>884,091</u>	<u>1,051,703</u>	<u>582,311</u>	<u>330,973</u>	<u>3,845,003</u>
Segment profit	<u>215,582</u>	<u>251,710</u>	<u>288,404</u>	<u>102,879</u>	<u>95,188</u>	953,763
Changes in fair value of investment properties						1,006
Changes in fair value of financial assets at FVTPL						1,892
Share of results of associates						3,938
Share of results of joint ventures						9,900
Impairment losses on amount due from a joint venture and loan receivables						(24,856)
Finance costs						(201,711)
Interest income						26,128
Share-based payment expenses						(20,134)
Loss on repurchase of asset-backed securities issued						(3,520)
Loss on modification of asset-backed securities issued						(1,380)
Exchange loss						(11,740)
Other unallocated expenses						<u>(17,039)</u>
Profit before tax						<u>716,247</u>

	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2018						
Segment revenue	<u>943,615</u>	<u>877,545</u>	<u>985,861</u>	<u>492,405</u>	<u>314,232</u>	<u>3,613,658</u>
Segment profit	<u>233,259</u>	<u>242,093</u>	<u>264,143</u>	<u>92,103</u>	<u>87,361</u>	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 of corporate bonds						(2,512)
Loss on modification of corporate bonds						(628)
Exchange loss						(35,355)
Other unallocated expenses						<u>(19,625)</u>
Profit before tax						<u>669,935</u>

Revenue and results from major services

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

	Property management services <i>RMB'000</i>	Value-added services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019				
Revenue from major services	<u>3,341,501</u>	<u>401,301</u>	<u>102,201</u>	<u>3,845,003</u>
Profit from major services	<u>592,995</u>	<u>298,344</u>	<u>62,424</u>	<u>953,763</u>
Year ended 31 December 2018				
Revenue from major services	<u>3,064,059</u>	<u>408,419</u>	<u>141,180</u>	<u>3,613,658</u>
Profit from major services	<u>529,036</u>	<u>309,229</u>	<u>80,694</u>	<u>918,959</u>

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property management services		
Lump sum basis	2,989,342	2,605,521
Pre-delivery services	123,695	253,546
Commission basis	196,041	181,556
Consultancy services	32,423	23,436
	<u>3,341,501</u>	<u>3,064,059</u>
Value-added services		
Online promotion services	148,295	169,448
Sales and rental assistance	147,316	146,612
Other value-added services	105,690	92,359
	<u>401,301</u>	<u>408,419</u>
Engineering services		
Equipment installation service fees	71,333	61,371
Repair and maintenance services	14,041	14,874
Energy-saving services	16,827	16,667
Equipment leasing income	–	48,268
	<u>102,201</u>	<u>141,180</u>
	<u>3,845,003</u>	<u>3,613,658</u>

Information about major customers

During the years ended 31 December 2019 and 2018, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

5. OTHER INCOME, GAINS AND LOSSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Other income		
Interest income from		
– loan receivables	9,054	27,789
– banks	16,645	9,497
– non-current advance to staffs	429	580
– a director	–	11
Partial exemption of value-added tax	18,217	–
Unconditional government grants	1,128	9,279
Interest income on financial assets at FVTPL	1,892	7,700
Rental income from investment properties (lease payments that are fixed)	150	–
Operating lease income – investment properties	–	289
Others	1,175	1,004
	<u>48,690</u>	<u>56,149</u>
Other gains and losses		
Gain on disposal of subsidiaries	–	59,559
(Loss) gain on disposal of property, plant and equipment	(452)	87
Loss on modification of asset-backed securities issued (2018: corporate bonds)	(1,380)	(628)
Loss on repurchase of asset-backed securities issued	(3,520)	–
Loss on redemption of corporate bonds	–	(2,512)
Exchange loss	(11,740)	(35,355)
Others	(2,097)	(2,222)
	<u>(19,189)</u>	<u>18,929</u>

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Impairment loss recognised on		
– trade receivables	(13,997)	(11,211)
– contract assets	(453)	(367)
– payments on behalf of residents	(47,373)	(40,846)
– amount due from a joint venture	(8,606)	–
– loan receivables	(16,250)	–
	<u>(86,679)</u>	<u>(52,424)</u>

7. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interests on:		
– borrowings	(162,869)	(238,383)
– corporate bonds	(16,285)	(37,959)
– asset-backed securities issued	(20,861)	(22,083)
– amount due to a fellow subsidiary	(426)	(647)
– lease liabilities	(1,270)	–
	<u>(201,711)</u>	<u>(299,072)</u>

8. INCOME TAX EXPENSE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax		
– PRC Enterprise Income Tax	(232,347)	(192,774)
Deferred tax		
– Charge to profit and loss	51,791	40,866
	<u>(180,556)</u>	<u>(151,908)</u>

9. PROFIT FOR THE YEAR

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	7,943	5,997
Other staffs' salaries and other benefits	1,198,009	1,036,343
Retirement benefits scheme contributions	162,854	133,434
Share-based payment expenses	17,144	15,800
	<u>1,385,950</u>	<u>1,191,574</u>
Total staff costs	<u>1,385,950</u>	<u>1,191,574</u>
Auditors' remuneration	4,300	4,100
Amortisation of intangible assets	139,583	136,427
Depreciation of property, plant and equipment	54,925	69,632
Depreciation of right-of-use assets	3,960	–
	<u>3,960</u>	<u>–</u>

10. DIVIDENDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2018 final dividend HK18.00 cents, equivalent to RMB15.4 cents (2018: final dividend in respect of the year ended 31 December 2017 of HK15.00 cents, equivalent to RMB12.11 cents) per share	<u>210,375</u>	<u>166,237</u>

Subsequent to 31 December 2019, a final dividend for the year ended 31 December 2019 of RMB9.12 cents (2018: HK18.00 cents, equivalent to RMB15.40 cents) per share amounting to RMB129,754,000 in aggregate has been proposed by the directors for approval by the shareholders of the company in the forthcoming annual general meeting. The dividends for the year ended 31 December 2019 will be payable in cash or in form of new fully paid shares of the Company in respect of part or all of such dividends at shareholders' option. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

11. 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:

	2019	2018
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>498,570</u>	<u>485,021</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,366,715	1,279,781
Effect of dilutive potential ordinary shares:		
Share options	<u>–</u>	<u>456</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,366,715</u>	<u>1,280,237</u>

12. TRADE RECEIVABLES

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– contracts with customers	714,814	627,072
– leasing	<u>–</u>	<u>46,922</u>
	714,814	673,994
Less: allowance for credit losses	<u>(56,570)</u>	<u>(44,284)</u>
	<u>658,244</u>	<u>629,710</u>

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

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	212,587	256,004
31 – 90 days	161,725	168,111
91 – 180 days	140,240	121,741
181 – 365 days	108,999	53,991
Over 1 year	34,693	29,863
	658,244	629,710

13. 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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	275,658	321,442
61 – 180 days	82,941	129,429
181 – 365 days	26,884	36,924
Over 1 year	15,693	16,608
	401,176	504,403

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

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

As communities constitute the smallest social component of the city, a stable and convenient living environment for the residents of the community is essential to the development of the society. The Group strives to meet the basic living needs of the residents through providing Four Guarantees services (defined as cleaning, greening, security and maintenance services). Such basic property management services constitute the cornerstone of community services system.

Following the in-depth implementation of smart community construction, the Group proactively utilises the new technologies from the Internet, deepens the application of technologies like big data and artificial intelligence, and focuses on investments in intelligent equipment, and enhancing the Group's efficiency in providing high quality property management services. The Group has established a powerful head office digital "cloud" system, which strengthened the service capacity of the "terminal" and minimize the dependency on function and scope of "management", so as to organise effective community services. For instance, the Group put forward the Big Dipper strategy, by implementing the order-oriented modification on the seven major functions of E-Parking, E-Lift, E-Energy, E-Cleaning, E-Decoration, E-Payment and E-Complaint, the Group has initially divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

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 standard 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.

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

The Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will schedule visits with residents through the Caizhiyun platform for following up work and feedback relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need anytime. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges. In recent years, with the rapid development of the online platform, value-added services have become one of the key drivers of the core competitiveness and performance growth of Colour Life.

During the reporting period, the Group succeeded in concluding an important collaboration. On 19 July 2019, the Group reached agreements with an indirect wholly owned subsidiary of JD.com and an indirect wholly owned subsidiary of 三六零安全科技股份有限公司("360.com"), pursuant to which the Company would issue 71,149,000 shares and 22,956,000 shares to them respectively at a price of HK\$5.22 per share. Upon completion of the aforesaid transactions during the year, the aggregate interests held by JD.com and 360.com in the Company accounted for 5.00% and 3.05%, respectively, of the enlarged share capital.

In the future, JD.com and the Group will cooperate in community-based new retail model, establishing front-end warehouses, logistics distribution and enhancement of platform experience. At the same time, based on the technological experience accumulated by 360.com in the field of core security, the Group will cooperate with 360.com in aspects like security, big data, Internet of Things and artificial intelligence. Through the cooperation with JD.com and 360.com to explore "community +" strategy, the online and offline operation capabilities of Colour Life will be further enhanced to improve the living experience of property owners, so as to create a more private, more comfortable and more convenient smart community for property owners.

Business Development

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

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

On the other hand, the Group provided the underlying technology of Caizhiyun APP for prominent partners in the industry. Today, Caizhiyun APP can serve the communities for which our partners have provided property management services. The area managed by our partners is called the "cooperated and allied GFA". The aggregate area of Caizhiyun platform's coverage over such communities is collectively referred to as the "platform service area".

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience, the newly engaged management area during the reporting period reached 22.6 million sq.m., demonstrating the Group's core competitive strengths on service quality and market expansion. As at 31 December 2019, the Total Contracted GFA of the Group had reached 562.0 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,863, representing a year-on-year growth of 1.5% and 5.7%, respectively. As at 31 December 2019, the area of the Group's revenue-bearing GFA reached 359.7 million sq.m. and the number of communities reached 2,321.

At the same time, the Group is actively building up an online platform for its community services, and through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. As of 31 December 2019, the platform service area of the Group had reached 1,210.7 million sq. m., which included 562.0 million sq. m. of Total Contracted GFA, 648.7 million sq. m. of cooperated and allied GFA. The projects that the Group served cover 279 cities in China and 1 overseas country, namely Vietnam, fully demonstrating the technological strength of the Group's online platform.

During the reporting period, the Group entered into a cooperation agreement with Phu My Hung Development Corporation (a company based in Vietnam), pursuant to which both parties jointly made contribution to establish an associate in Vietnam, i.e. Hung Thai Technology Company Limited (hereafter referred to as "Hung Thai Technology"), which will be responsible for the management of property projects in Vietnam. Meanwhile, the Group will provide platform technology and license it to Hung Thai Technology, including guidance on cloud platform technology, assistance for it to build smart communities by leveraging on our cloud platform, etc.. As of 31 December 2019, the Total Contracted GFA of Hung Thai Technology's subsidiary reached approximately 3.15 million sq.m. with 75 projects. Meanwhile, Livin PMH, the Vietnamese version of Caizhiyun APP, has also been launched, which mainly provides the users with basic property management functions and business information services. As of 31 December 2019, the number of online commercial tenants in Livin PMH amounted to 1,315, demonstrating the acceptance and recognition of intelligent community system with Colour Life feature in the Vietnamese market.

In addition to extending the online platform or providing the relevant technical guidance to other property management companies, the Group continued to expand the scopes under which its online platform technology can be applied. For example, the Group helped Changsha City Public Security Bureau to develop the Changsha Gardener APP for mass prevention and treatment to public order in Changsha City. Citizens can take up patrol orders or traffic violation reporting orders from the Changsha Gardener. Once an order is completed, the users can get relevant points as a coupon when the users make a purchase on the Changsha Gardener APP. This new model has encouraged the general public to participate in the process of building a secure city as well as their harmonious communities, extremely well received by the Changsha Municipal Government. As at 31 December 2019, register users of the Changsha Gardener APP amounted to 5.53 million. Taking patrol orders as example, there were a total of approximately 1.05 million people participating in the patrol service since the launch of such service up to 31 December 2019, with a total patrol route length of approximately 1.59 million kilometers. The successful launching of such innovative application indicates that the Group's online platform technology has a wider application, and it will have greater space for development in the future.

In addition, following signing the comprehensive strategic cooperation agreement with JD.com, the Group officially entered the new community retail business by jointly launching the “JD Essence Business (京選業務)”, providing property owners served by the Group with exclusively convenient and favourable services. The property owners can place orders at a lower price via the online Wechat mini program, and then pick up the products purchased from the offline stores located at the communities managed by the Group. Under this model, JD.com is in charge of product selection and logistics supply, providing 9 categories of goods covering fresh produce and delicious food, snacks, personal care products, household products, quality mother-and-baby products, alcoholic drinks and dairy beverage, outdoor sports equipment, digital appliance, pets and vehicles. Leveraging on the offline space and staff advantages of the Group, and coupled with the advantages of JD.com in e-commerce business, this business aims to explore the new business mode of community retail.

On 18 October 2019, the first “JD Essence Community Membership Store (京選社區會員店)” (“JD Essence Store”) in Colour Life community commenced operation in Shenzhen, representing the first solid step in developing off-line community retail sector by the Group after signing the comprehensive strategic cooperation agreement with JD.com, and also the prelude of a series of cooperation between the two parties based on the business scenarios of “Community + Commerce” and “Community + Logistics”. For the five months ended 18 March 2020, the first JD Essence Store received 22,044 orders from the property owners served by the Group with a transaction amount of RMB0.6 million, achieved a space efficiency of approximately 14.7 times with traditional stores in the first month. Meanwhile, the total number of JD Essence Stores reached 5, covering 6 communities with 12,000 families under the management of the Group, demonstrating the completeness and replicability of the business mode. The Group will join hands with JD.com to further explore the commercial scenario sector in communities, and make continuous efforts to build warm and intelligent community, with an aim to offer the property owners with the best living experience.

As at 31 December 2019, the locations of communities where the Group provided management, consultancy services and which the Group cooperated with are set out as follows:



Southern China	Eastern China	106	Qufu	151	Wuzhou	Northwestern China	Central China					
1	Shenzhen	54	Changzhou	107	Maanshan	152	Bijie	188	Xi'an	230	Changsha	
2	Dongguan	55	Dongtai	108	Yixing	153	Emeishan	189	Yinchuan	231	Xinxiang	
3	Foshan	56	Gaoyou	109	Taizhou	154	Leshan	190	Lanzhou	232	Yiyang	
4	Fuzhou	57	Huai'an	110	Yuyao	155	Liupanshui	191	Hancheng	233	Zhengzhou	
5	Ganzhou	58	Jiangyin	111	Zhuji	156	Qiandongnan	192	Xining	234	Wuhan	
6	Guangzhou	59	Jurong	112	Heze		Miao and Dong	193	Yulin	235	Chenzhou	
7	Heyuan	60	Lianyungang	113	Huangshan		Autonomous	194	Baoji	236	Kaifeng	
8	Huizhou	61	Nanjing	114	Ledong		Prefecture	195	Ankang	237	Anyang	
9	Jingdezhen	62	Nantong	115	Tongling	157	Qinzhou	196	Pingliang	238	Xiangyang	
10	Nanchang	63	Shanghai	116	Anqing	158	Wenshan	197	Hanzhong	239	Jingmen	
11	Nankang	64	Suzhou			159	Yulin	198	Weinan	240	Puyang	
12	Putian	65	Wuxi	Southwestern China		160	Yibin	199	Urumqi	241	Yichang	
13	Qingyuan	66	Wuhu	117	Chengdu	161	Meitan	200	Bayannur	242	Yueyang	
14	Shangrao	67	Yancheng	118	Liuzhou	162	Xishuangbanna	201	Yili Prefecture	243	Zhangjiatie	
15	Yangjiang	68	Yangzhou	119	Dali	163	Meishan	202	Jincheng	244	Zhuzhou	
16	Yichun	69	Changshu	120	Guilin	164	Qiannan Buyi and	203	Yan'an	245	Huixian	
17	Yingtian	70	Kunshan	121	Nanning		Miao Autonomous	204	Xianyang	246	Luohe	
18	Zhongshan	71	Xuzhou	122	Zigong		Prefecture	205	Pengyang	247	Xiangtan	
19	Zhuhai	72	Hangzhou	123	Chongzuo		Qianxinan Buyi and	206	Yangling	248	Huanggang	
20	Xiamen	73	Xiamen	124	Baise	165	Miao Autonomous			249	Changde	
21	Shaoguan	74	Huzhou	125	Guigang		Prefecture			250	Jingzhou	
22	Heshan	75	Fuyang	126	Zunyi	166	Nanchong			251	Loudi	
23	Quanzhou	76	Jiaxing	127	Guiyang					252	Luoyang	
24	Sanming	77	Linyi	128	Fangchenggang	Northeastern China				253	Wugang	
25	Zhangzhou	78	Yantai	129	Deyang	167	Gaizhou	207	Beijing	254	Suizhou	
26	Nanxiong	79	Zhenjiang	130	Guang'an	168	Harbin	208	Qinhuangdao	255	Nanyang	
27	Longyan	80	Zibo	131	Laibin	169	Huludao	209	Tianjin	256	Xingyang	
28	Jiujiang	81	Bengbu	132	Lijiang	170	Shenyang	210	Shijiazhuang	257	Xiangfan	
29	Nanping	82	Hefei	133	Mianyang	171	Tieling	211	Baotou	258	Shangqiu	
30	Xinyu	83	Jining	134	Pingnan	172	Yingkou	212	Tongliao	259	Enshi	
31	Zhaoqing	84	Lu'an	135	Suining	173	Diaobingshan	213	Wuhai	260	Jiaozuo	
32	Haikou	85	Qingdao	136	Tongren	174	Benxi	214	Taiyuan	261	Xiangfang	
33	Danzhou	86	Shaoxing	137	Yizhou	175	Changchun	215	Tangshan	262	Hengyang	
34	Fuzhou	87	Taicang	138	Chongqing	176	Panjin	216	Hulunbair	263	Jiyuan	
35	Shantou	88	Wenzhou	139	Ziyang	177	Dalian	217	Ulanqab	264	Langfang	
36	Zhanjiang	89	Jinan	140	Anshun	178	Mudanjiang	218	Langfang	265	Datong	
37	Jinggangshan	90	Suqian	141	Beihai	179	Jixi	219	Datong	266	Baoding	
38	Fengcheng	91	Tai'an	142	Guanghan	180	Qiqihar	220	Baoding	267	Changzhi	
39	Ji'an	92	Heze	143	Kunming	181	Daqing	221	Changzhi	268	Hohhot	
40	Meizhou	93	Huaiabei	144	Guangyuan	182	Jiamusi	222	Hohhot	269	Xingtai	
41	Zhangping	94	Jinhua	145	Neijiang	183	Fusong	223	Xingtai	270	Chengde	
42	Sanya	95	Liaocheng	146	Duyun	184	Fushun	224	Chengde	271	Cangzhou	
43	Ruijin	96	Taizhou	147	Fuquan	185	Dandong	225	Cangzhou	272	Xinzhou	
44	Wenchang	97	Taihe	148	Longli	186	Chifeng	226	Xinzhou	273	Luliang	
45	Pingxiang	98	Zaozhuang	149	Majiang	187	Siping	227	Luliang	274	Fushun	
46	Zhangshu	99	Weifang	150	Bazhong			228	Renqiu	275	Dandong	
47	Jinjiang	100	Dongying					229	Hengshui	276	Chifeng	
48	Fuqing	101	Dezhou							277	Siping	
49	Jiangmen	102	Ningbo							278	Ruzhou	
50	Baoting Li and Miao	103	Shouguang							279	Ezhou	
	Autonomous County	104	Xinyi								Xianning	
51	Qionghai	105	Rizhao								Jingshan	
52	Maoming										Huangshi	
53	Chaozhou										Yingcheng	
											Overseas	
											280	Vietnam

As at 31 December 2019, the Group recorded a sustained growth in platform service area. The following table sets out the contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with in different regions as at the dates indicated below:

	Managed by the Group		As at 31 December 2019 Under the Group's consultancy service arrangements				Managed by the Group		As at 31 December 2018 Under the Group's consultancy service arrangements			
	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities
Shenzhen	9,596	127	727	16	193	5	9,833	132	753	18	193	4
Southern China (excluding Shenzhen)	90,680	570	2,126	8	74,932	605	90,649	565	2,589	8	71,085	589
Eastern China ⁽¹⁾	145,195	951	2,469	8	67,074	477	142,665	861	2,019	7	53,332	414
Southwestern China	99,285	385	967	3	92,247	398	100,083	402	968	3	91,499	388
Northeastern China	21,075	98	1,680	8	8,622	51	21,462	99	1,216	8	3,301	6
Northwestern China ⁽²⁾	16,347	85	3,506	2	50,351	501	16,687	91	3,506	2	46,603	453
Northern China ⁽³⁾	35,839	145	150	2	41,551	69	35,221	142	2	1	7,826	47
Central China ⁽⁴⁾	132,087	454	300	1	60,616	351	125,699	369	300	1	44,760	314
Overseas ⁽⁵⁾	-	-	-	-	3,149	75	-	-	-	-	-	-
Total ⁽⁶⁾	<u>550,104</u>	<u>2,815</u>	<u>11,925</u>	<u>48</u>	<u>398,735</u>	<u>2,532</u>	<u>542,299</u>	<u>2,661</u>	<u>11,353</u>	<u>48</u>	<u>318,599</u>	<u>2,215</u>

Notes:

- (1) The Group newly established its presence in Anqing as at 31 December 2019.
- (2) The Group newly established its presence in Pengyang and Yangling as at 31 December 2019.
- (3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang, Renqiu and Hengshui as at 31 December 2019.
- (4) The Group newly established its presence in Jingshan, Huangshi and Yingcheng as at 31 December 2019.
- (5) The Group newly established its presence in Vietnam as at 31 December 2019.
- (6) As at 31 December 2019, the Group's platform service area reached 1,210.7 million sq.m., including 562.0 million sq.m. of Total Contracted GFA, 648.7 million sq.m. of cooperated and allied GFA.

As at 31 December 2019, the Group managed 2,815 communities with an aggregate contracted GFA of approximately 550.1 million sq.m. and entered into consultancy service contracts with 48 communities with an aggregate contracted GFA of approximately 11.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with during the reporting period:

	Managed by the Group		As at 31 December 2019				Managed by the Group		As at 31 December 2018			
	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Under the Group's consultancy service arrangements		Cooperated with the Group		Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Under the Group's consultancy service arrangements		Cooperated with the Group	
			Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities			Contracted GFA (<i>'000 sq.m.</i>)	Number of communities	Contracted GFA (<i>'000 sq.m.</i>)	Number of communities
As at the beginning of the year	542,299	2,661	11,353	48	318,598	2,215	404,269	2,271	31,715	113	214,230	1,470
New engagements ⁽¹⁾	22,044	260	598	2	-	-	69,938	195	4,328	2	-	-
Acquisitions ⁽²⁾	1,231	9	-	-	-	-	53,839	279	-	-	-	-
New cooperation ⁽³⁾	-	-	-	-	80,490	321	-	-	-	-	104,369	745
Transfer from consultancy service to self-management ⁽⁴⁾	-	-	-	-	-	-	23,547	65	(23,547)	(65)	-	-
Termination ⁽⁵⁾	(15,470)	(115)	(26)	(2)	(353)	(4)	(9,294)	(149)	(1,143)	(2)	-	-
As at the end of the year	<u>550,104</u>	<u>2,815</u>	<u>11,925</u>	<u>48</u>	<u>398,735</u>	<u>2,532</u>	<u>542,299</u>	<u>2,661</u>	<u>11,353</u>	<u>48</u>	<u>318,599</u>	<u>2,215</u>

Notes:

- (1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group acquired Beijing Darwin International Hotel Property Management Co., Ltd. ("Beijing Darwin") and Taian Good Living Property Management Co., Ltd. ("Taian Good Living") to expand its Managed GFA and gain synergy after the acquisition.
- (3) Through platform cooperation 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 for which it provided consultancy service previously, resulting in the relevant communities under the Group's consultancy service arrangements transferred into those the Group managed.
- (5) The contracted GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

Business Overview

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and
- 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) provision of automation and other equipment upgrade services; and (iv) provision of energy-saving services.

Scope of Services for Property Management Services

As at 31 December 2019, the Group employed over 53,060 on-site personnel (including staffs employed by the Group and the staffs outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 2019		As at 31 December 2018	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.4–11.4	1.8–16.9	0.4–10.9	1.0–8.0
Southern China (excluding Shenzhen)	0.5–5.9	0.7–16.9	0.5–5.9	0.7–8.0
Eastern China ⁽¹⁾	0.4–17.0	1.1–16.0	0.4–9.4	0.8–8.8
Southwestern China	0.5–6.1	0.3–25.0	0.4–6.1	0.3–6.8
Northeastern China	0.4–3.3	2.0–18.0	0.4–3.3	2.0–6.0
Northwestern China ⁽²⁾	0.5–4.0	1.4–22.7	0.5–3.9	1.1–7.0
Northern China ⁽³⁾	0.7–5.5	1.2–25.0	0.6–4.5	1.0–8.0
Central China ⁽⁴⁾	0.6–5.3	0.9–16.9	0.6–3.0	0.9–5.0

Notes:

- (1) The Group newly established its presence in Anqing as at 31 December 2019.
- (2) The Group newly established its presence in Pengyang and Yangling as at 31 December 2019.
- (3) The Group newly established its presence in Cangzhou, Xinzhou, Luliang, Renqiu and Hengshui as at 31 December 2019.
- (4) The Group newly established its presence in Jingshan, Huangshi and Yingcheng as at 31 December 2019.

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

Property Management Services under Commission Basis

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

Property Management Services under Lump Sum Basis

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

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the pre-sale activities and recognizes 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 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 for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future. As at 31 December 2019, the Group provided consultancy services for 48 communities and the Consultancy GFA was 11.9 million sq.m..

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value-added services for community property owners. With 17 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management, consultancy or which the Group cooperates with, 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 onto Caizhiyun through WeChat has increased significantly. At the same time, the ecosystem product companies have developed rapidly. Specifically, the E-Energy has established a strategic cooperation partnership with Tencent Park and successfully entered the Vietnam market. With number of users continuing to rise, in order to reflect the actual operation more realistically, we decided to change the statistical criteria of registered and active users to the ecosystem standard with effect from 2018, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 31 December 2019, registered users of Colour Life's ecosystem increased to approximately 36.4 million, of which 16.7 million were ecosystem active users. For the year ended 31 December 2019, the accumulated GMV ("Gross Merchandise Volume") of Colour Life's online platform reached approximately RMB12,129.6 million, representing a year-on-year increase of 28.4%. The accumulated value-added services revenue was RMB401.3 million. The gross profit margin remained at a relatively high level of 92.6%, contributing a profit of 31.3%.

At the same time, the Group's new cooperation model with property developers is 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). Such model mainly targets 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 year ended 31 December 2019, the accumulated sales of products under the Colour Life Parking Lots amounted to over 4,000 units, driving the revenue of sales and rental assistance up to RMB147.3 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.

Since last year, the Group cooperated with Colour Benefit Life which combined the community-based new retail model with the scene of paying property management fees. When 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 in the Group, marketing expenses of the goods and service suppliers are reduced, and these suppliers will return the partially reduced marketing expenses to the property owners as property management fee. Colour Benefit Life 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. For the year ended 31 December 2019, the accumulated GMV of Colour Benefit Life was RMB532.4 million.

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

Online promotion services

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

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges 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 receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

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

Scope of Services for Engineering Services

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

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

In 2019, the Group continued to carry out the Internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle licence recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group's management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up the results.

The Group's engineering services primarily include (i) automation and other hardware equipment installation services; (ii) community utility facilities repair and maintenance services; (iii) community automation 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 to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation services of automation equipment for communities.

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

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

Service fees from provision of repair and maintenance services

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

Equipment leasing services

The Group renders automation and other equipment upgrade services to communities that it provides management or consultancy services, including car park security systems, building access systems and remote surveillance cameras. These equipment items were invested by Shenzhen Kaiyuan Tongji and made available for use by various communities through the Group's equipment leasing scheme.

Service fees from provision of energy-saving services

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

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the year ended 31 December 2019, the total revenue increased by 6.4% to approximately RMB3,845.0 million from approximately RMB3,613.7 million of last year.

The increase in revenue was primarily attributable to the revenue contribution by the projects acquired in the second half of 2018 and 2019 as well as the projects entrusted by certain property developers in 2019.

	For the year ended 31 December					
	2019		2018		Variance	
	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	%
Revenue						
Property management services	3,341,501	86.9%	3,064,059	84.8%	277,442	9.1%
Value-added services	401,301	10.4%	408,419	11.3%	(7,118)	(1.7%)
Engineering services	102,201	2.7%	141,180	3.9%	(38,979)	(27.6%)
Total revenue	<u>3,845,003</u>	<u>100.0%</u>	<u>3,613,658</u>	<u>100.0%</u>	<u>231,345</u>	<u>6.4%</u>

Property Management Services

For the year ended 31 December 2019, revenue from property management services increased by 9.1% to approximately RMB3,341.5 million from approximately RMB3,064.1 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2019		2018		Variance	
	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	%
Revenue						
Property management service fees under commission basis	196,041	5.1%	181,556	5.0%	14,485	8.0%
Property management service fees under lump sum basis	2,989,342	77.8%	2,605,521	72.2%	383,821	14.7%
Pre-delivery services	123,695	3.2%	253,546	7.0%	(129,851)	(51.2%)
Property management consultancy service fees	32,423	0.8%	23,436	0.6%	8,987	38.3%
Total of property management service fees	<u>3,341,501</u>	<u>86.9%</u>	<u>3,064,059</u>	<u>84.8%</u>	<u>277,442</u>	<u>9.1%</u>

Such increase was mainly attributable to:

- (a) An increase of approximately RMB14.5 million in revenue from service fees under commission basis for the year ended 31 December 2019 due to a slight increase in the average charges of all projects;
- (b) As at 31 December 2019, the revenue-bearing GFA under lump sum basis increased by approximately 6.5 million sq.m. or approximately 6.0% to approximately 115.7 million sq.m. from approximately 109.2 million sq.m. in 2018. The increase in GFA led to an increase in revenue from service fees under lump sum basis of approximately RMB383.8 million or approximately 14.7%, which was mainly due to the Group's acquisition of property management projects through acquisition of equity interests in Beijing Darwin and Taian Good Living in 2019 and Hangzhou Zhuosheng Property Management Co., Ltd. and Guangxi Colour Life Zhongshi Property Services Co., Ltd. in December 2018, as well as the conversion of certain pre-delivery service projects into property management projects under lump sum basis;
- (c) A decrease in revenue from service fees charged for rendering pre-delivery services for the year ended 31 December 2019 of approximately RMB129.9 million as compared to that of last year, which was mainly due to the conversion of pre-delivery service projects into property management projects under lump sum basis upon the delivery of completed properties to buyers;
- (d) An increase in revenue from fees charged under consultancy service contracts of approximately RMB9.0 million to approximately RMB32.4 million due to the increase in fees charged to the property management companies benefitting from the high quality of consultancy services rendered.

Value-Added Services

For the year ended 31 December 2019, value-added services income decreased by 1.7% to approximately RMB401.3 million from approximately RMB408.4 million of last year.

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

	For the year ended 31 December					
	2019		2018		Variance	
	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	%
Revenue						
Sales and rental assistance	147,316	3.8%	146,612	4.0%	704	0.5%
Online promotion services	148,295	3.9%	169,448	4.7%	(21,153)	(12.5%)
Other value-added services	105,690	2.7%	92,359	2.6%	13,331	14.4%
Total of value-added service fees	<u>401,301</u>	<u>10.4%</u>	<u>408,419</u>	<u>11.3%</u>	<u>(7,118)</u>	<u>(1.7%)</u>

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

- (a) Revenue from sales and rental assistance for the year ended 31 December 2019 maintained the same level as last year;
- (b) A decrease in revenue from online promotion services of 12.5% from approximately RMB169.4 million of last year to approximately RMB148.3 million for the year ended 31 December 2019, which was due to the reason that the Group lowered the fee charged to online service providers moderately to help Caizhiyun platform with future expansion;
- (c) Revenue from other value-added services increased by 14.4% from approximately RMB92.4 million of last year to approximately RMB105.7 million for the year ended 31 December 2019, which was mainly attributable to the reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to this category as a result of the initial adoption of HKFRS 16 since 1 January 2019.

Engineering Services

For the year ended 31 December 2019, revenue from engineering services decreased by approximately RMB39.0 million or 27.6% to approximately RMB102.2 million from that of last year. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December					
	2019		2018		Variance	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	71,333	1.9%	61,371	1.7%	9,962	16.2%
Repair and maintenance service fees	14,041	0.4%	14,874	0.4%	(833)	(5.6%)
Equipment leasing income	–	–	48,268	1.3%	(48,268)	(100.0%)
Energy-saving service fees	16,827	0.4%	16,667	0.5%	160	1.0%
Total of engineering services fees	102,201	2.7%	141,180	3.9%	(38,979)	(27.6%)

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

- (a) An increase in revenue from equipment installation services of 16.2% from approximately RMB61.4 million of last year to approximately RMB71.3 million for the year ended 31 December 2019, which was attributable to the expansion of the Group's Colour Life Parking Lots business;
- (b) Revenue from maintenance and repair services for the year ended 31 December 2019 decreased by 5.6% to approximately RMB14.0 million from approximately RMB14.9 million of last year, which was due to outsourcing of the repair and maintenance services through Caizhiyun Platform, and transformation to online promotion service;
- (c) The reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to value-added service income by the Group as a result of the adoption of HKFRS 16 since 1 January 2019;
- (d) A slight increase of approximately RMB0.2 million in service fees from energy-saving service for the year ended 31 December 2019 as compared with that of last year.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2019, cost of services increased by approximately RMB158.4 million or 6.8% from approximately RMB2,331.2 million of last year to approximately RMB2,489.6 million, 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 2019, the overall gross profit increased by approximately RMB72.9 million or 5.7% to approximately RMB1,355.4 million from approximately RMB1,282.5 million of last year. The increase of gross profit was in line with the growth of revenue in all businesses.

The overall gross profit margin for the year ended 31 December 2019 was approximately 35.3%, which was basically in line with 35.5% as recorded last year.

(i) Property Management Services

For the year ended 31 December 2019, the gross profit margin of property management services increased by 1.5 percentage points from approximately 26.1% of last year to approximately 27.6%, which was primarily attributable to an increase of approximately RMB23.5 million in the revenue from property management services and consultancy service fees under commission basis as compared with that of last year, which had a relatively higher gross profit margin.

(ii) Value-added Services

For the year ended 31 December 2019, gross profit from value-added services decreased by 4.9% to approximately RMB371.7 million from approximately RMB391.0 million of last year. Gross profit margin decreased by 3.1 percentage points from 95.7% of last year to 92.6% for the year ended 31 December 2019. The decrease was due to the reclassification of the equipment leasing income of approximately RMB39.4 million from revenue from engineering services to value-added services which had a lower gross profit margin by the Group as a result of the adoption of HKFRS 16 since 1 January 2019.

(iii) Engineering Services

For the year ended 31 December 2019, gross profit for engineering services decreased by approximately 34.3% from approximately RMB93.2 million of last year to approximately RMB61.2 million, and the gross profit margin decreased by approximately 6.1 percentage points to approximately 59.9% for the year from approximately 66.0% of last year. The decrease was primarily attributable to lower the services fee from reconstruction of Colour Life Packing Lots for its sales and promotion.

Other Gains and Losses

For the year ended 31 December 2019, the Group's other gains and losses decreased by approximately RMB38.1 million to a loss of approximately RMB19.2 million from a gain of approximately RMB18.9 million of last year. The change was primarily due to (i) gains on disposal of two subsidiaries of approximately RMB59.6 million of last year and no disposal during the year; and (ii) a decrease in exchange loss to approximately RMB11.7 million for the year from approximately RMB35.4 million of last year.

Other Income

For the year ended 31 December 2019, other income of the Group decreased by approximately 13.2% to approximately RMB48.7 million from approximately RMB56.1 million of last year, which was mainly attributable to (i) a decrease of approximately RMB11.7 million in interest income; (ii) an increase of approximately RMB18.2 million in exemption of VAT; and (iii) a decrease of approximately RMB8.2 million in unconditional government grant.

Selling and Distribution Expenses

For the year ended 31 December 2019, selling and distribution expenses of the Group amounted to approximately RMB62.9 million, representing an increase of 4.7% from approximately RMB60.1 million of last year. The increase was basically in line with the increase in revenue.

Administrative Expenses

The administrative expenses of the Group increased by 10.0% from approximately RMB375.8 million of last year to approximately RMB413.3 million for the year ended 31 December 2019. The increase was mainly due to the Group's expansion in business scale and the increase in total Managed GFA.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2019, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB81.0 million, representing an increase of approximately 1.3% as compared to approximately RMB80.0 million of last year. The slight increase was basically in line with the increase in revenue from property management service under commission basis.

Finance Costs

For the year ended 31 December 2019, the Group's finance costs was approximately RMB201.7 million, which decreased by approximately 32.6% as compared to approximately RMB299.1 million of last year, which was mainly due to a decrease in interest expenses as the balance of total debts of the Group decreased by approximately 37.3% from approximately RMB3,659.7 million as at 31 December 2018 to approximately RMB2,294.6 million as at 31 December 2019.

Income Tax Expenses

The Group's income tax expenses increased by 18.9% to approximately RMB180.6 million for the year ended 31 December 2019 from approximately RMB151.9 million for the year ended 31 December 2018.

Intangible Assets

As at 31 December 2019, the carrying value of intangible assets held by the Group decreased by approximately 4.9% to approximately RMB1,091.2 million from approximately RMB1,146.9 million as at 31 December 2018, which was mainly attributable to: (i) the addition of approximately RMB83.9 million in intangible assets acquired through business combination during the year ended 31 December 2019; and (ii) amortisation of intangible assets of approximately RMB139.6 million for the year.

Goodwill

As at 31 December 2019, the carrying amount of the Group's goodwill was approximately RMB2,317.3 million, representing an increase of approximately RMB69.2 million as compared with that as at the end of last year, which was mainly attributable to the goodwill arising from business combination during the year.

Bank Balances and Cash

As at 31 December 2019, the Group's bank balances and cash decreased by 35.5% to approximately RMB1,721.2 million from approximately RMB2,666.9 million as at 31 December 2018. The decrease in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB544.6 million generated from operating activities; (ii) net cash outflows of approximately RMB42.4 million used in investing activities; and (iii) net cash outflows of approximately RMB1,449.8 million used in financing activities, which was mainly due to the repayment of borrowings of approximately RMB1,730.7 million during the year.

Trade and Other Receivables and Prepayments

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

As at 31 December 2019, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB658.2 million, which increased by approximately RMB28.5 million as compared to approximately RMB629.7 million as at 31 December 2018, showing a slight change.

As at 31 December 2019, other receivables and prepayments increased by approximately RMB30.9 million from approximately RMB720.9 million as at 31 December 2018 to approximately RMB751.8 million, which was primarily attributable to: (i) the increase of approximately RMB26.7 million in refundable deposits; and (ii) the increase of approximately RMB14.5 million in receivables for residential and commercial units rental assistance services on behalf of customers.

Payments/Receipts on Behalf of Residents

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

Trade and Other Payables and Accruals

Trade and other payables 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 decreased from approximately RMB504.4 million as at 31 December 2018 to approximately RMB401.2 million as at 31 December 2019. This was primarily due to the accelerated payment to certain suppliers by the Group during the year.

Other payables and accruals decreased from approximately RMB967.7 million as at 31 December 2018 to approximately RMB886.7 million as at 31 December 2019.

Corporate Bonds

As at 31 December 2019, the corporate bonds of approximately RMB149.8 million represented the domestic corporate bonds issued in November 2017.

In November 2017, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) (“Shenzhen Colour Life”) issued domestic corporate bonds in an aggregate principal amount of RMB150,000,000. The domestic corporate bonds are guaranteed by Fantasia Group (China) Company Limited (“Fantasia China”), carrying a nominal interest at rate of 7% per annum and the interest is payable annually, commencing from November 2017. The issue price is 96.3% of the principal amount. The effective interest rate is 8.4% per annum. The domestic corporate bonds will be due in November 2020.

The domestic corporate bonds issued in January 2016 and September 2016 were repaid upon maturity on 28 January 2019 and 9 September 2019, respectively.

Asset-backed Securities Issued

In August 2016, Shenzhen Colour Life issued asset-backed securities with an aggregate principal amount of approximately RMB300,000,000. As at 31 December 2019, the carrying amount was approximately RMB50,146,000.

In January 2018, Shenzhen Colour Life issued asset-backed securities with an aggregate principal amount of approximately RMB100,000,000. As at 31 December 2019, the carrying amount was RMB54,402,000.

Share Capital

As at 31 December 2019, the total number of issued shares of the Company was 1,422,746,000 (31 December 2018: approximately 1,328,638,000) and the share capital was approximately RMB115,134,000 (31 December 2018: approximately RMB106,800,000).

Cash Position

As at 31 December 2019, the Group's total cash (including pledged bank deposits) decreased by approximately 35.7% from approximately RMB3,012.9 million as at 31 December 2018 to approximately RMB1,935.9 million. Among the total cash, bank deposits of approximately RMB214.6 million (31 December 2018: approximately RMB346.0 million) were pledged to banks to secure the banking facilities.

The financial position of the Group remained stable. As at 31 December 2019 and 2018, the current ratio (current assets/current liabilities) of the Group was approximately 1.3.

Borrowings and Charges on the Group's Assets

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB2,040.3 million (31 December 2018: approximately RMB3,083.8 million), of which the borrowings of approximately RMB994.3 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, and the remaining borrowing of approximately RMB1,046.0 million were unsecured.

Net Gearing Ratio

The net gearing ratio was 8.9% as at 31 December 2019 (31 December 2018: 19.9%), which was the result of the repayment of borrowings, corporate bonds and asset-backed securities during the year. The net gearing ratio was calculated by net debt (being the total of borrowings, corporate bonds issued, asset-backed securities issued, after deduction of bank balances and cash and pledged bank deposits) 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 and the financing of HK\$150.0 million in Hong Kong in June 2019. During the year, the Group recorded a net exchange loss of approximately RMB11.7 million.

The Group had not entered into any foreign exchange risk hedging arrangements as at 31 December 2019 and the Group's operating cash flows are not subject to exchange fluctuation risk.

Employees and Remuneration Policies

As at 31 December 2019, excluding the employees for communities under commission basis, the Group had approximately 15,289 employees (31 December 2018: approximately 14,161 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.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB9.12 cents per share, equivalent to HK10.04 cents, amounting to approximately RMB129,754,000 payable on Friday, 17 July 2020 to all persons registered as holders of shares of the Company on Tuesday, 9 June 2020 (the “Eligible Shareholders”), 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. The Eligible Shareholders will be given an option to elect to receive the final dividend all in new shares or partly in new shares and partly in cash or all in cash (the “Scrip Dividend Scheme”).

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB to Hong Kong dollars as announced by the People’s Bank of China on 30 March 2020.

The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders in due course.

SUBSEQUENT EVENT

After the 2019 Novel Coronavirus (“COVID-19”) outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented in the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on these financial statements as a result of the COVID-19 outbreak.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 29 May 2020 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 Stock Exchange (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 Monday, 25 May 2020 to Friday, 29 May 2020, 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 Friday, 22 May 2020.
- (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 Thursday, 4 June 2020 to Tuesday, 9 June 2020, 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 Wednesday, 3 June 2020.

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 2019, the Board is of the view that the Company has complied with all code provisions set out in the CG Code.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 December 2019 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 2019.

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

Issuance of Shares

On 29 July 2019, the Company issued 71,149,000 new ordinary shares at the subscription price of HK\$5.22 per share to JD.com at a total consideration of HK\$371,397,780. The subscription price represented a discount of approximately 4.22% to the closing price of HK\$5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcement of the Company dated 19 July 2019.

On 28 August 2019, the Company issued 22,956,000 new ordinary shares at the subscription price of HK\$5.22 per share to 360.com at a total consideration of HK\$119,830,320. The subscription price represented a discount of approximately 4.22% to the closing price of HK\$5.45 as quoted on the Stock Exchange on 19 July 2019, being the date of the subscription agreement. Further details about the transaction are disclosed in the announcements of the Company dated 19 July 2019 and 23 August 2019 and the circular of the Company dated 8 August 2019.

Purchase of shares under the Share Award Scheme

During the year ended 31 December 2019, a total of 2,038,000 shares (2018: 1,597,000 shares) were acquired by the Trustee for the Share Award Scheme of the Company adopted on 4 July 2016 for a total consideration of approximately RMB7,647,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

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 2019 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
PAN Jun
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Pan Jun, Mr. Chen Xinyu and Mr. Huang Wei; the non-executive directors of the Company are Mr. Tang Xuebin 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.