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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 2020

HIGHLIGHTS

- For the year of 2020, the Group recorded total revenue of approximately RMB3,596 million, gross profit of approximately RMB1,208 million, net profit of approximately RMB542 million and the net profit attributable to the owners of the Company of approximately RMB502 million.
- For the year ended 31 December 2020, the net cash flows generated from operating activities increased by 51.6% to RMB826 million.
- Net profit margin increased by 1.2 percentage points to approximately 15.1% from approximately 13.9% for the same period in 2019.
- The Board proposed the payment of a final dividend of RMB8.73 cents per share, representing about 25% dividend payout ratio, for the year ended 31 December 2020. Shareholders have the option of receiving their dividends in the form of new shares instead of cash.

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 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from services	3 & 4	3,596,450	3,845,003
Cost of services		(2,388,688)	(2,489,567)
Gross profit		1,207,762	1,355,436
Other income	5	69,744	48,690
Other gains and losses	5	81,165	(19,189)
Impairment losses under expected credit loss model, net of reversal	6	(89,309)	(86,679)
Selling and distribution expenses		(16,944)	(62,884)
Administrative expenses		(421,843)	(413,293)
Expenses recharged to residential communities under commission basis		78,072	81,033
Finance costs	7	(210,387)	(201,711)
Change in fair value of investment properties		(2,461)	1,006
Share of results of associates		3,937	3,938
Share of results of joint ventures		996	9,900
Profit before tax		700,732	716,247
Income tax expense	8	(158,677)	(180,556)
Profit for the year	9	542,055	535,691

		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income (“FVTOCI”)		1,793	(1,772)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		<u>(448)</u>	<u>443</u>
Other comprehensive income (expense) for the year, net of income tax		<u>1,345</u>	<u>(1,329)</u>
Total comprehensive income for the year		<u>543,400</u>	<u>534,362</u>
Profit for the year attributable to:			
Owners of the Company		501,721	498,570
Non-controlling interests		<u>40,334</u>	<u>37,121</u>
		<u>542,055</u>	<u>535,691</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		503,066	497,241
Non-controlling interests		<u>40,334</u>	<u>37,121</u>
		<u>543,400</u>	<u>534,362</u>
Earnings per share – basic (RMB cents)	<i>11</i>	<u>34.90</u>	<u>36.48</u>
Earnings per share – diluted (RMB cents)	<i>11</i>	<u>34.90</u>	<u>36.48</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		181,905	202,735
Right-of-use assets		95,204	85,161
Investment properties		147,351	155,040
Interests in associates		61,046	55,557
Interests in joint ventures		103,862	100,224
Equity instruments designated at FVTOCI		115,168	121,735
Goodwill		2,317,252	2,317,252
Intangible assets		953,461	1,091,235
Contract assets		14,572	22,229
Other receivables		4,986	5,900
Loan receivables		1,761	7,858
Pledged bank deposits		–	90,500
Deferred tax assets		85,932	61,806
Amount due from a related party		68,889	72,899
Deposits paid for potential acquisition of subsidiaries		10,653	9,868
		4,162,042	4,399,999
Current Assets			
Inventories		–	3,700
Contract assets		48,986	45,464
Trade receivables	<i>12</i>	546,989	658,244
Other receivables and prepayments		751,151	745,853
Loan receivables		224,188	201,616
Payments on behalf of residents		1,050,618	908,465
Amounts due from related parties		899,766	564,228
Financial assets at fair value through profit or loss (“FVTPL”)		–	3,000
Pledged/restricted bank deposits		154,118	124,146
Bank balances and cash		2,458,579	1,721,228
		6,134,395	4,975,944

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current Liabilities			
Trade payables	13	405,567	401,176
Other payables and accruals		804,521	886,679
Contract liabilities		516,500	350,215
Receipts on behalf of residents		362,189	403,862
Lease liabilities due within one year		7,898	2,300
Amounts due to related parties		604,003	453,547
Tax liabilities		239,896	229,949
Borrowings due within one year		436,181	752,576
Senior notes and bonds		1,552,688	149,786
Asset-backed securities issued due within one year		20,206	87,483
		4,949,649	3,717,573
Net Current Assets		1,184,746	1,258,371
Total Assets Less Current Liabilities		5,346,788	5,658,370
Non-current Liabilities			
Deferred tax liabilities		252,937	290,136
Amount due to a related party		–	126
Lease liabilities due after one year		18,929	11,343
Borrowings due after one year		520,500	1,287,704
Asset-backed securities issued due after one year		–	17,065
		792,366	1,606,374
Net Assets		4,554,422	4,051,996
Capital and Reserves			
Share capital		118,036	115,134
Reserves		4,231,605	3,755,045
Equity attributable to owners of the Company		4,349,641	3,870,179
Non-controlling interests		204,781	181,817
Total Equity		4,554,422	4,051,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Colour Life Services Group Co., Limited (the “Company”) is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “SEHK”). Its immediate holding company is Fantasia Holdings Group Co., Limited (“Fantasia Holdings”), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company.

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

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

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

	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	3,015,899	-	-	3,015,899
Pre-delivery services	48,987	-	-	48,987
Commission basis	202,187	-	-	202,187
Consultancy services fee	17,421	-	-	17,421
	<u>3,284,494</u>	<u>-</u>	<u>-</u>	<u>3,284,494</u>
<u>Value-added services</u>				
Online promotion services	-	85,692	-	85,692
Sales and rental assistance	-	111,238	-	111,238
Other value-added services	-	59,450	-	59,450
	<u>-</u>	<u>256,380</u>	<u>-</u>	<u>256,380</u>
<u>Engineering services</u>				
Equipment installation services	-	-	36,289	36,289
Repair and maintenance services	-	-	6,263	6,263
Energy-saving service fees	-	-	13,024	13,024
	<u>-</u>	<u>-</u>	<u>55,576</u>	<u>55,576</u>
	<u>3,284,494</u>	<u>256,380</u>	<u>55,576</u>	<u>3,596,450</u>
Timing of revenue recognition				
A point in time	-	111,238	-	111,238
Over time	3,284,494	145,142	55,576	3,485,212
	<u>3,284,494</u>	<u>256,380</u>	<u>55,576</u>	<u>3,596,450</u>

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

	For the year ended 31 December 2020					Total
	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>	<i>RMB'000</i>
Segment revenue	972,139	854,036	1,046,620	567,393	322,836	3,763,024
Elimination	(38,874)	(32,192)	(48,054)	(31,108)	(16,346)	(166,574)
Revenue from contracts with customers	<u>933,265</u>	<u>821,844</u>	<u>998,566</u>	<u>536,285</u>	<u>306,490</u>	<u>3,596,450</u>

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 services fee	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>

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

	For the year ended 31 December 2019					Total
	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>	<i>RMB'000</i>
Segment revenue	1,035,306	916,703	1,100,384	613,825	347,531	4,013,749
Elimination	(39,381)	(32,612)	(48,681)	(31,514)	(16,558)	(168,746)
Revenue from contracts with customers	<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>

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 (the “CODM”), 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.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

- Eastern China: mainly includes the cities of Shanghai, Nanjing, Qingdao, Hangzhou, Hefei, Wuxi, Suzhou, Jinan;
- Southern China: aggregate of Shenzhen region and Southern China and mainly includes the cities of Shenzhen, Nanchang, Dongguan, Guangzhou, Quanzhou, Foshan, Huizhou, Fuzhou;
- Western China: aggregate of Southwestern China and Northwestern China and mainly includes the cities of Chengdu, Chongqing, Liuzhou, Nanning, Yinchuan, Xi’an, Kunming, Guilin;
- Northern China: aggregate of Northeastern China and Northern China and mainly includes the cities of Dalian, Beijing, Tianjin, Hohhot, Tangshan, Shijiazhuang, Taiyuan, Baotou; and
- Central China: mainly includes the cities of Wuhan, Zhengzhou, Changsha, Changde, Yiyang, Yichang, Xiangyang, Xiangtan.

Segment revenues and results

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

	Eastern China <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 2020						
Segment revenue	<u>933,265</u>	<u>821,844</u>	<u>998,566</u>	<u>536,285</u>	<u>306,490</u>	<u>3,596,450</u>
Segment profit	<u>204,013</u>	<u>227,469</u>	<u>235,167</u>	<u>104,455</u>	<u>91,148</u>	862,252
Changes in fair value of investment properties						(2,461)
Share of results of associates						3,937
Share of results of joint ventures						996
Impairment losses on amount due from a joint venture and loan receivables						(20,610)
Finance costs						(210,387)
Interest income						24,619
Share-based payment expenses						(6,698)
Exchange gain						84,407
Other unallocated expenses						<u>(35,323)</u>
Profit before tax						<u>700,732</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 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>

5. OTHER INCOME, GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Interest income from		
– loan receivables	1,672	9,054
– banks	22,641	16,645
– non-current advance to staffs	306	429
Refund of value-added tax	24,174	18,217
Unconditional government grants	18,809	1,128
Interest income on financial assets at FVTPL	–	1,892
Rental income from investment properties (lease payments that are fixed)	5	150
Others	2,137	1,175
	<u>69,744</u>	<u>48,690</u>
Other gains and losses		
Loss on disposal of property, plant and equipment	(37)	(452)
Loss on modification of asset-backed securities issued	–	(1,380)
Loss on repurchase of asset-backed securities issued	–	(3,520)
Exchange gain (loss)	84,407	(11,740)
Others	(3,205)	(2,097)
	<u>81,165</u>	<u>(19,189)</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment loss recognised on		
– trade receivables	(18,634)	(13,997)
– contract assets	(1,147)	(453)
– payments on behalf of residents	(48,918)	(47,373)
– amount due from a joint venture	(4,010)	(8,606)
– loan receivables	(16,600)	(16,250)
	<u>(89,309)</u>	<u>(86,679)</u>

7. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interests on:		
– borrowings	(93,277)	(162,869)
– senior notes and bonds	(107,622)	(16,285)
– asset-backed securities issued	(7,715)	(20,861)
– amount due to a fellow subsidiary	(48)	(426)
– lease liabilities	(1,725)	(1,270)
	<u>(210,387)</u>	<u>(201,711)</u>

8. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	(220,450)	(232,347)
Deferred tax		
Credit to profit and loss	61,773	51,791
	<u>(158,677)</u>	<u>(180,556)</u>

9. PROFIT FOR THE YEAR

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	8,229	7,943
Other staffs' salaries and other benefits	1,276,413	1,273,828
Retirement benefits scheme contributions	88,850	87,035
Share-based payment expenses	5,607	17,144
	<u>1,379,099</u>	<u>1,385,950</u>
Total staff costs		
	<u>1,379,099</u>	<u>1,385,950</u>
Auditors' remuneration	4,300	4,300
Amortisation of intangible assets	137,774	139,583
Depreciation of property, plant and equipment	48,206	54,925
Depreciation of right-of-use assets	8,657	3,960
	<u>8,657</u>	<u>3,960</u>

10. DIVIDENDS

During the year ended 31 December 2020, a final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents (2019: final dividend in respect of the year ended 31 December 2018 of HK18.00 cents, equivalent to RMB15.40 cents) per share was declared. In July 2020, RMB24,928,000 (2019: RMB210,375,000) were paid to the owners of the Company in cash and dividend amount of RMB103,105,000 (2019: nil) were paid to the shareholders in form of new fully paid shares of the Company.

Subsequent to 31 December 2020, a final dividend for the year ended 31 December 2020 of RMB8.73 cents (2019: RMB9.12 cents) per share amounting to RMB127,010,000 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 2020 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:

	2020	2019
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><u>501,721</u></u>	<u><u>498,570</u></u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>1,437,442</u></u>	<u><u>1,366,715</u></u>

For the years ended 31 December 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

12. TRADE RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	605,610	714,814
Less: allowance for credit losses	<u>(58,621)</u>	<u>(56,570)</u>
	<u><u>546,989</u></u>	<u><u>658,244</u></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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	164,835	212,587
31 – 90 days	143,029	161,725
91 – 180 days	104,276	140,240
181 – 365 days	93,005	108,999
Over 1 year	41,844	34,693
	<u>546,989</u>	<u>658,244</u>

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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	254,251	275,658
61 – 180 days	109,287	82,941
181 – 365 days	27,091	26,884
Over 1 year	14,938	15,693
	<u>405,567</u>	<u>401,176</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

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

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

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

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

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship between the residents as well as between the residents and the property management staff and enrich the residents' off-work life, 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 carry out following up work and seek 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. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges.

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

Business Development

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's 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 contracts 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.

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience, as at 31 December 2020, the Total Contracted GFA of the Group had reached 563.4 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,841. As at 31 December 2020, the area of the Group's revenue-bearing GFA reached 361.0 million sq.m.. 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.

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 2020, registered users of the Changsha Gardener APP amounted to 6.1 million. Taking patrol orders as example, there were a total of approximately 3.9 million people participating in the patrol service since the launch of such service on 28 March 2019 up to 31 December 2020, with a total patrol route length of approximately 9.2 million kilometers. The platform has received a total of 1,080.9 thousand reported cases relating to traffic violations and 2.7 thousand reported drug cases, making itself an efficient channel for citizens to jointly participate in the construction of a civilised city. The successful launching of such innovative application indicates that the Group's online platform technology has a wider application.

In addition, following the signing of the comprehensive strategic cooperation agreement between the Group and JD.com, the two parties jointly promoted the implementation of a pilot business of smart parcel lockers in 2020. Under this business model, JD.com is responsible for the installation of smart parcel lockers, while the Group is responsible for the courier delivery within the communities. The fees paid by the couriers for using such cabinets are allocated between the Group and JD.com as income. Instead of fixed annual rental fees paid to the communities in respect of such cabinets under the original arrangement, this business model generates commissions from the efficient turnover of such cabinets, significantly improving the profitability of the business. At the same time, the Group provides assistance for order delivery, which offers more opportunities for communication between our staffs and the residents.

As at 31 December 2020, 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		Southwestern China		Northwestern China		Central China	
1	Shenzhen	54	Changzhou	106	Qufu	151	Wuzhou	230	Changsha
2	Dongguan	55	Dongtai	107	Maanshan	152	Bijie	231	Xinxiang
3	Foshan	56	Gaoyou	108	Yixing	153	Emeishan	232	Yiyang
4	Fuzhou	57	Huai'an	109	Taizhou	154	Leshan	233	Zhengzhou
5	Ganzhou	58	Jiangyin	110	Yuyao	155	Liupanshui	234	Wuhan
6	Guangzhou	59	Jurong	111	Zhūji	156	Qiandongnan	235	Chenzhou
7	Heyuan	60	Lianyungang	112	Heze		Miao and Dong	236	Kaifeng
8	Huizhou	61	Nanjing	113	Huangshan		Autonomous	237	Anyang
9	Jingdezhen	62	Nantong	114	Ledong		Prefecture	238	Xiangyang
10	Nanchang	63	Shanghai	115	Tongling	157	Qinzhou	239	Jingmen
11	Nankang	64	Suzhou	116	Anqing	158	Wenshan	240	Puyang
12	Putian	65	Wuxi			159	Yulin	241	Yichang
13	Qingyuan	66	Wuhu			160	Yibin	242	Yueyang
14	Shangrao	67	Yancheng	117	Chengdu	161	Meitan	243	Zhangjiajie
15	Yangjiang	68	Yangzhou	118	Liuzhou	162	Xishuangbanna	244	Zhuzhou
16	Yichun	69	Changshu	119	Dali	163	Meishan	245	Huixian
17	Yingtian	70	Kunshan	120	Guilin	164	Qiannan Buyi and	246	Luohe
18	Zhongshan	71	Xuzhou	121	Nanning		Miao Autonomous	247	Xiangtan
19	Zhuhai	72	Hangzhou	122	Zigong		Prefecture	248	Huanggang
20	Xiamen	73	Xiamen	123	Chongzuo	165	Qianxinan Buyi and	249	Changde
21	Shaoguan	74	Huzhou	124	Baise		Miao Autonomous	250	Jingzhou
22	Heshan	75	Fuyang	125	Guigang		Prefecture	251	Loudi
23	Quanzhou	76	Jiaxing	126	Zunyi	166	Nanchong	252	Luoyang
24	Sanming	77	Linyi	127	Guiyang			253	Wugang
25	Zhangzhou	78	Yantai	128	Fangchenggang			254	Suizhou
26	Nanxiong	79	Zhenjiang	129	Deyang	167	Gaizhou	255	Nanyang
27	Longyan	80	Zibo	130	Guang'an	168	Harbin	256	Xingyang
28	Jiujiang	81	Bengbu	131	Laibin	169	Huludao	257	Shangqiu
29	Nanping	82	Hefei	132	Lijiang	170	Shenyang	258	Enshi
30	Xinyu	83	Jining	133	Miayang	171	Tieling	259	Jiaozuo
31	Zhaoqing	84	Lu'an	134	Pingnan	172	Yingkou	260	Xiangfan
32	Haikou	85	Qingdao	135	Suining	173	Diaobingshan	261	Hengyang
33	Danzhou	86	Shaoxing	136	Tongren	174	Benxi	262	Jiyuan
34	Fuzhou	87	Taicang	137	Yizhou	175	Changchun	263	Qianjiang
35	Shantou	88	Wenzhou	138	Chongqing	176	Panjin	264	Zhoukou
36	Zhanjiang	89	Jinan	139	Ziyang	177	Dalian	265	Zhumadian
37	Jinggangshan	90	Suqian	140	Anshun	178	Mudanjiang	266	Xiaogan
38	Fengcheng	91	Tai'an	141	Beihai	179	Jixi	267	Shaoyang
39	Ji'an	92	Heze	142	Guanghan	180	Qiqihar	268	Pingdingshan
40	Meizhou	93	Huaibei	143	Kunming	181	Daqing	269	Shiyan
41	Zhangping	94	Jinhua	144	Guangyuan	182	Jiamusi	270	Huaihua
42	Sanya	95	Liaocheng	145	Neijiang	183	Fusong	271	Yihua
43	Ruijin	96	Taizhou	146	Duyun	184	Fushun	272	Jishou
44	Wenchang	97	Taihe	147	Fuquan	185	Dandong	273	Yongzhou
45	Pingxiang	98	Zaozhuang	148	Longli	186	Chifeng	274	Ruzhou
46	Zhangshu	99	Weifang	149	Majiang	187	Siping	275	Ezhou
47	Jinjiang	100	Dongying	150	Bazhong			276	Xianning
48	Fuqing	101	Dezhou					277	Jingshan
49	Jiangmen	102	Ningbo					278	Huangshi
50	Baoting Li and Miao	103	Shouguang					279	Yingcheng
	Autonomous County	104	Xinyi						
51	Qionghai	105	Rizhao						
52	Maoming								
53	Chaozhou								

As at 31 December 2020, 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 and consultancy services and which the Group cooperated with in different regions as at the dates indicated below:

	As at 31 December 2020				As at 31 December 2019			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
Shenzhen	9,441	124	727	16	9,596	127	727	16
Southern China (excluding Shenzhen)	91,781	571	2,126	8	90,680	570	2,126	8
Eastern China	143,701	939	2,453	7	145,195	951	2,469	8
Southwestern China	99,271	373	967	3	99,285	385	967	3
Northeastern China	20,821	94	1,498	5	21,075	98	1,680	8
Northwestern China	16,729	87	3,506	2	16,347	85	3,506	2
Northern China	36,791	152	150	2	35,839	145	150	2
Central China	133,123	457	300	1	132,087	454	300	1
Total ⁽¹⁾	551,658	2,797	11,727	44	550,104	2,815	11,925	48

Note:

(1) As at 31 December 2020, the Group's Total Contracted GFA reached 563.4 million sq.m..

As at 31 December 2020, the Group managed 2,797 communities with an aggregate contracted GFA of approximately 551.7 million sq.m. and entered into consultancy service contracts with 44 communities with an aggregate contracted GFA of approximately 11.7 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:

	As at 31 December 2020				As at 31 December 2019			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
As at the beginning of the year	550,104	2,815	11,925	48	542,299	2,661	11,353	48
New engagements ⁽¹⁾	7,665	45	-	-	22,044	260	598	2
Acquisition ⁽²⁾	-	-	-	-	1,231	9	-	-
Termination ⁽³⁾	(6,111)	(63)	(198)	(4)	(15,470)	(115)	(26)	(2)
As at the end of the year	551,658	2,797	11,727	44	550,104	2,815	11,925	48

Notes:

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

Business Overview

The Group has three main business lines:

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

Scope of Services for Property Management Services

As at 31 December 2020, the Group employed over 55,001 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 2020		As at 31 December 2019	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.4–11.4	1.8–16.9	0.4–11.4	1.8–16.9
Southern China (excluding Shenzhen)	0.5–5.9	0.7–16.9	0.5–5.9	0.7–16.9
Eastern China	0.4–17.0	1.1–16.0	0.4–17.0	1.1–16.0
Southwestern China	0.5–6.1	0.3–25.0	0.5–6.1	0.3–25.0
Northeastern China	0.4–3.3	2.0–18.0	0.4–3.3	2.0–18.0
Northwestern China	0.5–4.0	1.4–22.7	0.5–4.0	1.4–22.7
Northern China	0.7–5.5	1.2–25.0	0.7–5.5	1.2–25.0
Central China	0.6–5.3	0.9–16.9	0.6–5.3	0.9–16.9

Property management services, 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 recognise 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 recognised 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 recognises 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 2020, the Group provided consultancy services for 44 communities and the Consultancy GFA was 11.7 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. 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 2020, registered users of Colour Life’s ecosystem increased to approximately 37.8 million, of which 16.7 million were ecosystem active users. For the year ended 31 December 2020, the accumulated value-added services revenue was RMB256.4 million. The gross profit margin remained at a relatively high level of 95.0%.

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 fee paid by buyers is returned to their Caizhiyun accounts year after year, which can be used to pay consumptions on the Caizhiyun platform, thereby offering cost saving to buyers in future.

The product of Colour Life Parking Lots facilitated good interactions between the Group and property developers, helping the Group to gain property service resources.

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 authorizing property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

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

Scope of Services for Engineering Services

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

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

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

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

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 2020, the total revenue decreased by 6.5% to approximately RMB3,596.5 million from approximately RMB3,845.0 million for last year.

The decrease in revenue was mainly attributable to the decrease in revenue from property management services, value-added services and engineering services as a result of the Group's business transformation and outbreak of Covid-19.

	For the year ended 31 December					
	2020		2019		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	3,284,494	91.3%	3,341,501	86.9%	(57,007)	(1.7%)
Value-added services	256,380	7.1%	401,301	10.4%	(144,921)	(36.1%)
Engineering services	55,576	1.6%	102,201	2.7%	(46,625)	(45.6%)
Total revenue	<u>3,596,450</u>	<u>100.0%</u>	<u>3,845,003</u>	<u>100.0%</u>	<u>(248,553)</u>	<u>(6.5%)</u>

Property Management Services

For the year ended 31 December 2020, revenue from property management services slightly decreased by 1.7% to approximately RMB3,284.5 million from approximately RMB3,341.5 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2020		2019		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 lump sum basis	3,015,899	83.8%	2,989,342	77.8%	26,557	0.9%
Property management service fees under commission basis	202,187	5.6%	196,041	5.1%	6,146	3.1%
Pre-delivery services	48,987	1.4%	123,695	3.2%	(74,708)	(60.4%)
Property management consultancy service fees	17,421	0.5%	32,423	0.8%	(15,002)	(46.3%)
Total of property management service fees	<u>3,284,494</u>	<u>91.3%</u>	<u>3,341,501</u>	<u>86.9%</u>	<u>(57,007)</u>	<u>(1.7%)</u>

Such changes were mainly attributable to:

- (a) An increase in revenue from property management services under lump sum basis and commission basis by RMB26.6 million and RMB6.1 million, respectively, which were mainly due to the conversion of certain pre-delivery services projects into property management projects under lump sum basis or commission basis upon the delivery of properties to property buyers/residents by the property developers;
- (b) A decrease in pre-delivery services by RMB74.7 million, which was mainly due to the property developers' sales activities were restricted during the outbreak of Covid-19 and the pre-delivery services provided by the Group were significantly reduced;
- (c) A decrease in property management services under consultancy services arrangement by approximately RMB15.0 million, which was mainly due to the expiry of certain consultancy services agreements and no extension of consultancy services due to the cost control strategy adopted by certain property management companies due to the outbreak of Covid-19.

Value-added Services

For the year ended 31 December 2020, value-added services income decreased by 36.1% to approximately RMB256.4 million from approximately RMB401.3 million of last year.

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

	For the year ended 31 December				Variance	
	2020		2019		Amount	
	Amount	% of total	Amount	% of total	Amount	%
	<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue	<i>RMB'000</i>	
Revenue						
Sales and rental assistance	111,238	3.1%	147,316	3.8%	(36,078)	(24.5%)
Online promotion services	85,692	2.4%	148,295	3.9%	(62,603)	(42.2%)
Other value-added services	59,450	1.7%	105,690	2.7%	(46,240)	(43.8%)
Total of value-added service fees	<u>256,380</u>	<u>7.2%</u>	<u>401,301</u>	<u>10.4%</u>	<u>(144,921)</u>	<u>(36.1%)</u>

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

- (a) A decrease in revenue from sales and rental assistance by RMB36.1 million, which was mainly due to the sales activities were restricted and sales volume of properties were significantly decreased during the outbreak of Covid-19.
- (b) A decrease in revenue from online promotion services by RMB62.6 million, which mainly represented the decrease in revenue from commission relating to E-wealth, as a result of the impact of Covid-19 and the declined online investment demand.
- (c) A decrease in revenue from other value-added services by RMB46.2 million, which was mainly due to the Group's business transformation. After digging into the value-added services in recent years, the Group targets to decline those "high input" and/or "high risk" services and concentrate the resources to develop the "high quality" and "high return" services.

Engineering Services

For the year ended 31 December 2020, revenue from engineering services decreased by approximately RMB46.6 million or 45.6% 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					
	2020		2019		Variance	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	36,289	0.9%	71,333	1.9%	(35,044)	(49.1%)
Repair and maintenance service fees	6,263	0.2%	14,041	0.4%	(7,778)	(55.4%)
Energy-saving service fees	13,024	0.4%	16,827	0.4%	(3,803)	(22.6%)
Total of engineering services fees	<u>55,576</u>	<u>1.5%</u>	<u>102,201</u>	<u>2.7%</u>	<u>(46,625)</u>	<u>(45.6%)</u>

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

- A decrease in revenue from equipment installation services by RMB35.0 million, which was mainly due to the decrease in transaction volume under Colour Life Parking Lots model and the intelligent improvement services decrease accordingly.
- A decrease in revenue from repair and maintenance services by RMB7.8 million, which was mainly due to the Group's business transformation and act as an agent instead of a principal in providing such repair and maintenance services to residents.
- A decrease in revenue from energy-saving services by RMB3.8 million, as during the outbreak of Covid-19, the promotion/expansion of energy-saving services was restricted.

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 2020, cost of services decreased by approximately RMB100.9 million or 4.1% from approximately RMB2,489.6 million of last year to approximately RMB2,388.7 million. The decrease in cost of services was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the overall gross profit decreased by approximately RMB147.7 million or 10.9% to approximately RMB1,207.8 million from approximately RMB1,355.4 million for last year.

The overall gross profit margin for the year ended 31 December 2020 was approximately 33.6%, representing a decrease of 1.7 percentage points as compared to 35.3% of last year.

(i) *Property Management Services*

For the year ended 31 December 2020, the gross profit of property management services increased by RMB10.5 million from RMB922.6 million for last year to RMB933.1 million for the year ended 31 December 2020 and gross profit margin slightly increased by 0.8 percentage point from 27.6% for last year to 28.4% for the year ended 31 December 2020, which is primarily due to the reduction of social insurance by local governments overweight the additional costs incurred for epidemic prevention materials.

(ii) *Value-added Services*

For the year ended 31 December 2020, the gross profit of value-added services decreased by RMB128.3 million from RMB371.7 million for last year to RMB243.4 million for the year ended 31 December 2020 and profit margin increased by 2.3 percentage points from 92.7% for last year to 95.0% for the year ended 31 December 2020, which was mainly due to the Group's business transformation. After digging into the value-added services in recent years, the Group targets to decline those "high input" and/or "high risk" services and concentrate the resources to develop the "high quality" and "high return" services.

(iii) *Engineering Services*

For the year ended 31 December 2020, the gross profit of engineering services decreased by RMB29.9 million from RMB61.2 million for last year to RMB31.2 million for the year ended 31 December 2020, which was mainly due to the Group's target to decline the engineering services with low gross profit margin, and the gross profit margin decreased by 3.7 percentage points from 59.9% for last year to 56.2% for the year ended 31 December 2020, which was mainly due to the increase in cost relating to intelligent improvement services during the outbreak of Covid-19.

Other Gains and Losses

For the year ended 31 December 2020, the Group's other gains and losses increased by approximately RMB100.4 million to a gain of approximately RMB81.2 million from a loss of approximately RMB19.2 million of last year. The change was primarily due to the exchange gain of RMB84.4 million arising from certain borrowings and senior notes originally denominated in USD as the USD was depreciated significantly during the outbreak of Covid-19 in 2020, while the Group on the other hand recorded exchange loss of RMB11.7 million for last year.

Other Income

For the year ended 31 December 2020, other income of the Group increased by approximately 43.2% to approximately RMB69.7 million from approximately RMB48.7 million of last year, which was mainly attributable to (i) an increase of approximately RMB6.0 million in exemption of VAT; and (ii) an increase of approximately RMB17.7 million in unconditional government subsidy regarding the epidemic.

Selling and Distribution Expenses

For the year ended 31 December 2020, selling and distribution expenses of the Group amounted to approximately RMB16.9 million, representing a decrease of 73.1% from approximately RMB62.9 million of last year. The decrease was mainly due to the restricted and reduction in sales activities, especially in promotion of Colour Life Parking Lots and online value-added services, during the outbreak of Covid-19.

Administrative Expenses

The administrative expenses of the Group slightly increased by 2.1% from approximately RMB413.3 million of last year to approximately RMB421.8 million for the year ended 31 December 2020. The increase was mainly due to the additional cost incurred for purchasing epidemic prevention materials.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2020, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB78.1 million, representing a slight decrease of approximately 3.7% as compared to approximately RMB81.0 million of last year. The recharged amount is based on the administrative time cost spent on the communities managed under commission basis. The administrative hours incurred by regional executives and allocated to the communities decreased due to the travel restriction during the outbreak of Covid-19.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs was approximately RMB210.4 million, which increased by approximately 4.3% as compared to approximately RMB201.7 million of last year. The increase was in line with the increase in Group's total debts by approximately 10.2% from approximately RMB2,294.6 million as at 31 December 2019 to approximately RMB2,529.6 million as at 31 December 2020.

Income Tax Expenses

The Group's income tax expenses decreased by 12.1% to approximately RMB158.7 million for the year ended 31 December 2020 from approximately RMB180.6 million for the year ended 31 December 2019. The decrease in effective tax rate by 2.6 percentage points from 25.2% for last year to 22.6% for the year ended 31 December 2020, was primarily attributable to the exchange gain of RMB84.4 million arose from offshore subsidiary of the Company which was not subjected to income tax.

Intangible Assets

As at 31 December 2020, the carrying amount of intangible assets decreased by RMB137.7 million to approximately RMB953.5 million from approximately RMB1,091.2 million as at 31 December 2019. The decrease mainly represented the amortisation of intangible assets for the year ended 31 December 2020.

Goodwill

As at 31 December 2020 and 2019, the carrying amount of goodwill was remained at RMB2,317.3 million, as there were no business combination and impairment recognised for the year ended 31 December 2020.

Bank Balances and Cash

As at 31 December 2020, the Group's bank balances and cash increased by 42.8% to approximately RMB2,458.6 million from approximately RMB1,721.2 million as at 31 December 2019. The increase in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB825.8 million generated from operating activities; (ii) net cash outflows of approximately RMB293.1 million used in investing activities; and (iii) net cash inflows of approximately RMB227.0 million generated from financing activities.

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 2020, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB547.0 million, which decreased by approximately RMB111.2 million as compared to approximately RMB658.2 million as at 31 December 2019. The decrease was mainly attributable to the improved customer relationship between the Group and the residents and the improvement in collection rates for property management fee for major communities.

As at 31 December 2020, other receivables and prepayments slightly increased by approximately RMB4.3 million from approximately RMB751.8 million as at 31 December 2019 to approximately RMB756.1 million.

Payments/Receipts on Behalf of Residents

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

Trade and Other Payables and Accruals

Trade and other payables 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 slightly increased from approximately RMB401.2 million as at 31 December 2019 to approximately RMB405.6 million as at 31 December 2020.

Other payables and accruals decreased by RMB82.2 million from approximately RMB886.7 million as at 31 December 2019 to approximately RMB804.5 million as at 31 December 2020. The decrease was mainly attributable to (i) the decrease in accrued staff cost as a result of cost control and the decrease in bonus distributed; and (ii) the decrease in provision for social insurance contributions as a result of the exemption policy adopted by local governments during the outbreak of Covid-19.

Senior Notes and Bonds

As at 31 December 2020, the carrying amount of the Group's senior notes and bonds amounted to approximately RMB1,552.7 million (31 December 2019: RMB149.8 million).

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 corporate bonds in an aggregate principal amount of RMB150,000,000. The domestic corporate bonds are guaranteed by Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) ("Fantasia China"), carrying interest at the rate of 7% per annum. The corporate bonds were due in November 2020. The aforesaid corporate bonds were fully repaid upon maturity in 2020.

In February 2020, the Company issued senior notes in principal amount of US\$100 million. The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company, and carry interest rate of 8% per annum. The senior notes will mature in February 2021, unless earlier redeemed.

In July 2020, the Company issued senior notes in principal amount of US\$130 million. The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company, and carry interest rate of 10% per annum. The senior notes will mature in July 2021, unless earlier redeemed.

Asset-backed Securities Issued

As at 31 December 2020, the carrying amount of the Group's asset-backed securities issued amounted to approximately RMB20.2 million (31 December 2019: RMB104.5 million).

In August 2016, Shenzhen Colour Life issued asset-backed securities due 2021 with an aggregate principal amount of approximately RMB300 million. As at 31 December 2020, the carrying amount was approximately RMB20.2 million and was classified as current liabilities as at 31 December 2020.

Share Capital

As at 31 December 2020, the total number of issued shares of the Company was approximately 1,454,868,000 (31 December 2019: approximately 1,422,746,000) and the share capital was approximately RMB118.0 million (31 December 2019: approximately RMB115.1 million). In July 2020, approximately 32,122,000 ordinary shares were issued to the shareholders of the Company as scrip dividend.

Cash Position

As at 31 December 2020, the Group's total cash (including pledged bank deposits) increased by approximately 35.0% from approximately RMB1,935.9 million as at 31 December 2019 to approximately RMB2,612.7 million. Among the total cash, bank deposits of approximately RMB154.1 million (31 December 2019: approximately RMB214.6 million) were pledged or restricted.

The financial position remained stable. As at 31 December 2020, the current ratio (current assets/current liabilities) of the Group was approximately 1.2 (31 December 2019: approximately 1.3).

Borrowings and Charges on the Group's Assets

As at 31 December 2020, the Group had bank and other borrowings of approximately RMB956.7 million (31 December 2019: approximately RMB2,040.3 million), of which the borrowings of approximately RMB268.0 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, and the remaining borrowings of approximately RMB688.7 million were unsecured.

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and bonds, asset-backed securities issued, after deduction of bank balances and cash and pledged/restricted bank deposits) over the total equity. As at 31 December 2020, the total of bank balances and cash and pledged/restricted bank deposits amounting to RMB2,612.7 million exceeded the total debt amounting to RMB2,529.6 million, no net gearing ratio was presented as at 31 December 2020, accordingly, and the net gearing ratio was 8.9% as at 31 December 2019.

Currency Risk

The Group mainly operates its business in China. Other than certain borrowings and senior notes denominated in foreign currency, the Group does not have any other material direct exposure to foreign exchange fluctuations risk. During the year, the Group recorded a net exchange gain of approximately RMB84.4 million.

The Group had not entered into any derivative contracts to minimise the currency risk exposure as at 31 December 2020 and the Group's operating cash flows are not subject to currency risk. The Group will consider hedging significant currency risk should the need arise.

Employees and Remuneration Policies

As at 31 December 2020, excluding the employees for communities under commission basis, the Group had approximately 14,459 employees (31 December 2019: approximately 15,289 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.

Commitments

As at 31 December 2020, the Group had committed payment for acquisition of property, plant and equipment and acquisition of subsidiaries amounting to RMB26,865,000 and RMB33,517,000 (2019: RMB26,672,000 and RMB34,302,000), respectively.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB8.73 cents per share, equivalent to HK10.38 cents, amounting to approximately RMB127,010,000 payable on Wednesday, 21 July 2021 to all persons registered as holders of shares of the Company on Tuesday, 8 June 2021 (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 RMB1.00 to Hong Kong dollar 1.19 as announced by the People’s Bank of China on 25 March 2021.

The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited (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.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 28 May 2021 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, 24 May 2021 to Friday, 28 May 2021, 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, 21 May 2021.

- (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, 3 June 2021 to Tuesday, 8 June 2021, 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, 2 June 2021.

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 2020, 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 2020 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 2020.

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

Issuance of Shares

On 17 July 2020, approximately 32,122,000 ordinary shares of HK\$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

Senior Notes

On 25 February 2020, the Company issued senior notes due 2021 with principal amount of USD100,000,000 at a coupon rate of 8% per annum for the purpose of refinancing certain of its indebtedness.

On 22 July 2020, the Company issued senior notes due 2021 with principal amount of USD130,000,000 at a coupon rate of 10% per annum for the purpose of refinancing certain of its indebtedness.

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 2020.

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 2020 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, 25 March 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Pan Jun (Chairman), Mr. Chen Xinyu and Mr. Huang Wei (Chief Executive Officer) as Executive Directors; Mr. Tang Xuebin and Mr. Zhou Hongyi as Non-executive Directors; and Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin as Independent Non-executive Directors.