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Colour Life Services Group Co., Limited

彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

1. The spin-off and separate listing of Colour Life on the Main Board of Stock Exchange has been successfully completed on 30 June 2014. After deducting the listing expenses, a total net proceed of approximately RMB710 million was raised on the first day of the listing.
2. The Group's revenue for the period increased by 49.0% to approximately RMB163.4 million from RMB109.7 million for the same period in 2013.
3. The Group's gross profit for the period increased by 82.4% from RMB59.2 million for the same period in 2013 to approximately RMB108.0 million. Gross profit margin increased by 12.1 percentage points from 54.0% for the same period in 2013 to 66.1%.
4. During the period, profit attributable to owners of the Company increased by 206.9% or RMB41.8 million from RMB20.2 million for the same period in 2013 to approximately RMB62.0 million.
5. Total cash (including restricted bank deposits) as at 30 June 2014 increased by 445.5% from RMB147.1 million as at 31 December 2013 to approximately RMB802.5 million.
6. As of 30 June 2014, the Group's contracted GFA increased by 137.6% from 68.1 million sq.m. to 161.8 million sq.m.

The board (the “**Board**”) of directors (the “**Directors**”) of Colour Life Services Group Co., Limited 彩生活服務集團有限公司 (the “**Company**” or “**Colour Life**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		163,439	109,710
Cost of sales and services		(55,453)	(50,501)
Gross profit		107,986	59,209
Other gains and losses	4	(3,572)	(2,233)
Other income	4	2,536	1,445
Selling and distribution expenses		(1,397)	(1,547)
Administrative expenses		(17,895)	(24,839)
Expenses recharged to residential communities under commission basis		10,174	7,074
Finance costs	5	(325)	(118)
Listing expenses		(8,317)	(6,656)
Change in fair value of investment properties		580	81
Share of profits of an associate		31	85
Share of profits of a joint venture		119	401
Gain on disposal of subsidiaries		–	4
Profit before tax		89,920	32,906
Income tax expense	6	(24,584)	(10,259)
Profit and total comprehensive income for the period	7	65,336	22,647
Profit and total comprehensive income attributable to:			
Owners of the Company		62,046	20,155
Non-controlling interests		3,290	2,492
		65,336	22,647
Earnings per share (RMB cents)			
– Basic	9	8.31	2.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

		30 June	31 December
		2014	2013
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		33,345	23,513
Intangible assets		20	624
Investment properties		28,443	26,758
Interest in an associate		778	1,107
Interest in a joint venture		687	568
Goodwill		50,537	50,537
Trade receivables	<i>10</i>	12,949	7,585
Other receivables and prepayments	<i>10</i>	5,547	5,334
Deferred tax assets		4,542	3,848
Deposits paid for potential acquisitions of subsidiaries		59,180	–
		196,028	119,874
CURRENT ASSETS			
Inventories		1,429	200
Trade receivables	<i>10</i>	68,573	49,566
Other receivables and prepayments	<i>10</i>	43,666	43,339
Payments on behalf of residents		56,587	43,966
Amounts due from customers for contract works		34,178	43,892
Amount due from immediate holding company		–	1
Amounts due from fellow subsidiaries		–	32,153
Amounts due from non-controlling shareholders		–	13,063
Amounts due from related parties		–	1,303
Restricted bank deposits		1,003	997
Bank balances and cash		801,529	146,113
		1,006,965	374,593

		30 June 2014	31 December 2013
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	<i>11</i>	14,400	20,851
Other payables and accruals	<i>11</i>	64,280	93,387
Receipts on behalf of residents		105,791	96,804
Amounts due to customers for contract works		730	2,784
Amounts due to fellow subsidiaries		–	36,719
Amount due to immediate holding company		–	1,428
Amounts due to non-controlling shareholders		–	1,809
Amount due to an associate		–	2,387
Amount due to a joint venture		–	94
Unsecured borrowings due within one year		162	162
Tax liabilities		49,164	45,910
		234,527	302,335
NET CURRENT ASSETS			
		772,438	72,258
TOTAL ASSETS LESS CURRENT LIABILITIES			
		968,466	192,132
NON-CURRENT LIABILITIES			
Deferred tax liabilities		360	509
Amount due to a non-controlling shareholder		1,265	1,091
Unsecured borrowing due after one year		139	215
Redeemable shares		–	6,614
		1,764	8,429
		966,702	183,703
CAPITAL AND RESERVES			
Share capital		79,315	164
Reserves		878,877	178,761
EQUITY ATTRIBUTABLE TO:			
Owners of the Company		958,192	178,925
Non-controlling interests		8,510	4,778
		966,702	183,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 March 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 30 June 2014.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s financial information for the three years ended 31 December 2013 incorporated in the prospectus issued by the Company in connection with the initial public offering of its shares dated 17 June 2014 (the “Prospectus”).

Application of amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The directors of the Company considered the application of the amendments and interpretation to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment revenues and results

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

Six months ended 30 June 2014 (unaudited)

	Property management services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Community leasing, sales and other services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	95,599	35,087	32,753	–	163,439
Inter-segment revenue	–	439	90	(529)	–
Segment revenue	<u>95,599</u>	<u>35,526</u>	<u>32,843</u>	<u>(529)</u>	<u>163,439</u>
Segment profit	49,378	16,685	30,340		96,403
Changes in fair value of investment properties					580
Investment income of financial assets classified as fair value through profit or loss (“FVTPL”)					195
Share of profit of an associate					31
Share of profit of a joint venture					119
Finance costs					(325)
Bank interest income					402
Listing expense					(8,317)
Other unallocated income					832
Profit before tax					<u>89,920</u>

Six months ended 30 June 2013 (unaudited)

	Property management services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Community leasing, sales and other services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	71,689	19,844	18,177	–	109,710
Inter-segment revenue	–	1,871	638	(2,509)	–
Segment revenue	<u>71,689</u>	<u>21,715</u>	<u>18,815</u>	<u>(2,509)</u>	<u>109,710</u>
Segment profit	19,046	2,170	17,181		38,397
Changes in fair value of investment properties					81
Investment income of financial assets classified as FVTPL					798
Share of profit of an associate					85
Share of profit of a joint venture					401
Finance costs					(118)
Bank interest income					234
Rental income from investment properties					22
Gain on disposal of subsidiaries					4
Listing expenses					(6,656)
Other unallocated expenses					(342)
Profit before tax					<u>32,906</u>

4. OTHER GAINS AND LOSSES AND OTHER INCOME

	Six months ended 30 June	
	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Other gains and losses		
Bad debt recovery related to other receivables	–	575
Impairment loss recognised on		
– trade receivables	(1,429)	–
– invoices to be issued	–	(785)
Impairment loss recognised on payment on behalf of residents under commission basis	(1,347)	(1,587)
Others	(796)	(436)
	<u>(3,572)</u>	<u>(2,233)</u>
Other income		
Bank interest income	402	234
Unconditional government grants (<i>Note</i>)	948	198
Imputed interest income on non-current interest-free trade receivables	570	193
Investment income of financial assets classified as FVTPL	195	798
Others	421	22
	<u>2,536</u>	<u>1,445</u>

Note:

This relates to (i) government grants received from local government unconditionally in recognition of the eminence of excellence property management services, and (ii) unconditional grants for reimbursement towards tax payment on time.

5. FINANCE COSTS

	Six months ended 30 June	
	2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Interest on:		
Amount due to a non-controlling shareholder of a subsidiary	72	65
Bank borrowings	35	–
Redeemable shares	218	53
	<u>325</u>	<u>118</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current tax		
PRC EIT	(25,427)	(10,599)
Deferred tax		
Current period	843	340
	<u>(24,584)</u>	<u>(10,259)</u>

For the six months ended 30 June 2014, the relevant tax rates of the Group's subsidiaries in the PRC is 25% (Six months ended 30 June 2013: 25%).

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of profit or loss and other comprehensive income as the Group had no assessable profit arising in Hong Kong for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff cost	36,533	37,030
Amortisation of intangible assets (included in costs of sale and service)	604	–
Depreciation for property, plant and equipment	3,061	2,142
Costs of inventories recognised as cost of sales	3,600	2,176
Minimum lease payments under operating leases in respect of rented premises	2,256	4,407

8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for both periods.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	62,046	20,155
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>Note</i>)	746,458,270	723,822,902

Note:

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to owners of the Company of approximately RMB62,046,000 (2013: RMB20,155,000) and the weighted average number of ordinary shares in issue during the period ended 30 June 2014 of approximately 746,458,270 (2013: 723,822,902) on the assumption that the corporate reorganisation (details are set out in “History, Development and Reorganisation” of the Prospectus) and the capitalisation issue had been completed on 1 January 2013. No diluted earnings per share is presented for six months period ended 30 June 2014 as there was no potential ordinary share outstanding.

For the six months period ended 30 June 2013, the computation of diluted earnings per shares does not take into account the Company’s outstanding redeemable shares since their exercise would result in an increase in earnings per share.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<i>Notes</i>	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables		71,193	41,868
Retention receivables		697	1,656
Invoice to be issued	1, 2	<u>12,102</u>	<u>14,668</u>
		83,992	58,192
Less: allowance for doubtful debts		<u>(2,470)</u>	<u>(1,041)</u>
Total trade receivables		<u>81,522</u>	<u>57,151</u>
Other receivables and prepayments:			
Deposits paid in relation to consultancy services arrangements	3	5,547	5,334
Other deposits		4,919	6,993
Advance to a customer	4	250	1,752
Advances to staff		5,547	3,298
Prepayment to suppliers		2,899	7,227
Receivables from customers for residential and retail units rental assistance services on behalf of Shenzhen Caizhijia Real Estate Planning Co. Ltd (“Caizhijia”)		918	2,077
Other prepayments		5,481	3,664
Payment on behalf of residents under lump sum basis	5	5,203	5,366
Payment on behalf of residents for residential communities under consultancy services arrangements	6	13,985	2,920
Deferred listing expenses		–	7,426
Others		<u>4,464</u>	<u>2,616</u>
		<u>49,213</u>	<u>48,673</u>
		<u>130,735</u>	<u>105,824</u>
Classified as:			
Non-current			
Trade receivables	7	12,949	7,585
Other receivables and prepayment	8	<u>5,547</u>	<u>5,334</u>
		<u>18,496</u>	<u>12,919</u>
Current			
Trade receivables		68,573	49,566
Other receivables and prepayment		<u>43,666</u>	<u>43,339</u>
		<u>112,239</u>	<u>92,905</u>
		<u>130,735</u>	<u>105,824</u>

Note:

1. For the customers of installation of energy-saving lighting systems, of which they are mainly the residential communities managed by the Group, the Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-months period. The unbilled installation revenue is discounted at an effective interest rate of 8.3% per annum for the six months ended 30 June 2014. Upon meeting the revenue recognition criteria, installation revenue/agency fee income recognised prior to the issuance of invoice is recognised as “invoice to be issued” in the condensed consolidated statement of financial position.
2. The Group entered into agency service agreement for providing rental information to Caizhijia, an independent third party. According to the agreement entered into between the Group and Caizhijia, the agency services provided by the Group to Caizhijia in each calendar month will be determined and finalised between both parties at the end of each calendar month, and the Company will bill the agency fee payable by Caizhijia in six equal installments from July to December of the following year. In addition, the Group also entered into an agreement to allow Caizhijia to use its online rental information platform. The Group will bill Caizhijia twelve months after the end of each reporting period on the trade receivables in relation to the usage of online rental information platform by Caizhijia. Upon meeting the revenue recognition criteria, agency fee and online platform usage fee income recognised prior to issuance of invoice is recognised in the condensed consolidated statement of financial position as invoice to be issued.
3. The balance represented the present value of the RMB6,000,000 deposit paid in relation to the consultancy service arrangements entered with a property management company. The deposit will be refunded to the Group in 2016, and the balance is recorded as a non-current deposit as of 30 June 2014 and 31 December 2013.
4. During the year ended 31 December 2011, the Group advanced a sum of RMB5,752,000 to a third party customer, 深圳市龍興世紀投資有限公司, Shenzhen Long Xing Century Investment Co., Limited (“Shenzhen Long Xing”) under the Engineering Services Segment. The directors expected the advance to be settled by Shenzhen Long Xing by May 2014. In May 2013, the Group entered a supplementary agreement with Shenzhen Long Xing, whereby RMB3,500,000 out of the total advance due from Shenzhen Long Xing is unsecured and interest bearing of 0.52% per month for a twelve-months period commencing in May 2013. The remaining balance is unsecured, interest-free.

During the six months ended 30 June 2014, Shenzhen Long Xing has further settled the balance of RMB1,502,000 to the Group.

5. The balance represented the utilities bills paid to the water supplies companies and electricity companies on behalf of the residents under lump sum basis. The payments on behalf of the residents will be re-charged to the residents at rate pre-determined between the Group and the residents.
6. The balance represented the amount paid on behalf of residential communities which are under the consultancy service arrangements. The management offices of residential communities under the consultancy services arrangement have no separate bank accounts because these management offices have no separate legal entity. In accordance with the consultancy services agreements, the Group would manage the treasury functions of these management offices, and all transactions of these management offices were settled through the treasury function of the group entities.

7. Trade receivables classified as non-current represented the following:
- (a) Installation revenue to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the installation of energy-saving lighting systems as mentioned in note 1 above.
 - (b) Income to be billed after twelve months from the end of each of the reporting date on the trade receivables arisen from the provision of rental information platform to Caizhijia as mentioned in note 2 above.
 - (c) The retention receivables arisen from engineering services whereby the Group expects the settlement from customers will be made after twelve months from the end of each reporting period, which is based on the expiry of the retention period.
8. Other receivables and prepayments classified as non-current represented deposit paid which will be refunded to the Group in 2016 in relation to the consultancy service arrangements entered with a property management company.

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of each reporting periods, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to Caizhijia, of which the invoice date represented the payment due date:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 30 days	20,973	8,553
31 to 90 days	15,418	10,997
91 to 180 days	13,104	9,296
181 to 365 days	14,377	9,442
Over 1 year	5,477	3,165
	69,349	41,453

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade payables	14,400	20,851
Other payables and accruals:		
Receipts on behalf of residents under lump sum basis	6,157	6,478
Receipts on behalf of residents for residential communities under consultancy services arrangement	11,134	3,327
Accrued listing expenses	8,681	20,972
Advances from customers	3,049	11,416
Deposits received	5,247	15,314
Other tax payable	8,904	13,104
Rental payable	1,399	1,399
Accrued staff costs	7,489	8,804
Provision for retirement benefit contributions	10,270	7,947
Other payable and accruals	1,950	4,626
	64,280	93,387

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 60 days	3,585	13,923
61 to 180 days	6,274	2,439
181 to 365 days	3,663	2,806
Over 1 year	878	1,683
	14,400	20,851

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The spin-off and separate listing of Colour Life on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been successfully completed on 30 June 2014. After deducting the listing expenses, a total net proceed of approximately RMB710 million was raised on the first day of the listing.

Business Overview

The Group is one of the leading property management companies in the PRC, as the Group was named as China’s Largest Community Services Operator in terms of the number of residential units managed as of 31 December 2012 by China Index Academy in 2013; based on the area of residential communities which the Group was contracted to manage as of 31 December 2013, the Group was named as the 2014 No.1 of China property management in terms of total area of residential properties by China Index Academy in 2014. The Group has three main business segments:

- *property management services*, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which including mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) consultancy services provided for regional property companies, such as standardised operation, cost control and consultation;
- *engineering services*, which primarily include: (i) equipment installation services, (ii) repair and maintenance services, and (iii) automation and other equipment upgrade services through the Group’s equipment leasing program; and
- *community leasing, sales and other services*, which primarily include: (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

The Group’s Geographical Presence

The Group’s total contracted Gross Floor Area (“**GFA**”) had grown continuously during the Period.

As of 30 June 2014, the Group had grown its coverage to 90 cities in the PRC where the Group was contracted to manage 570 residential communities with an aggregate contracted GFA of approximately 89.2 million sq.m. and entered into consultancy services contracts with 467 residential communities with an aggregate contracted GFA of approximately 72.6 million sq.m. The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies.

Nature of the Property Developers

The properties the Group manages or provides consultancy services to are predominantly constructed by independent property developers other than Fantasia Holdings Group Co., Limited (hereinafter referred to as “Fantasia Holdings”, and its subsidiaries (collectively, the “**Fantasia Group**”)), the controlling shareholder of the Group.

Scope of Services for Property Management Services

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

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

Security services

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

Cleaning and gardening services

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

Repair and maintenance services

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

Colour life property management service model

For the six months ended 30 June 2014, the Group employed over 9,000 on-site personnel to provide property management services.

During the Period, the labour cost of the property services industry continued to increase. In order to tackle the challenges posted by such increase and further enhance the efficiency of the property management services, the Group has implemented the information-technology-based automation and equipment upgrade in some of the projects under its management. At the same time, the Group also launched its Caizhiyun website and its same mobile application with the aim to provide convenience in remittance of fees, requesting repair and maintenance services and submitting complaints on services which strengthened the interactions and communications between the Group and property owners of residential communities. The Group believes that this will further boost its capability in catering to demands for community services in an era of mobile network, facilitate replication of its management model applicable to communities, and seamlessly integrate its online and offline businesses, provide strong assurance to its centralised business model of and the quality of its property management service, thereby further sharpening its competitive edge in property management.

In 2014, the Group will continue to focus on improving the quality of its property management, further upgrading its property management model in the communities under its management, launch more contents which facilitate interaction between residents on its online platform, thereby strengthening the brand effect of Colour Life community service platform. The Group will further enhance its strategic plan of nationwide deployment, enabling better economy of scale of the online and offline community service platforms. The Group will also continue to build up and enhance its capability in integrating resources in the commercial circles surrounding its communities, attracting more vendors to provide more goods and services via the Caizhiyun platform to the residents in the communities under its management, thereby strengthening customer cohesion in its service platform and developing the Group as a leading operator of community service platforms.

Consultancy Services

With a view to expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its community leasing, sales and other services, the Group has selectively entered into consultancy services contracts with regional property management companies.

Under such arrangements, the property management companies are contracted to provide property management services at the relevant communities, and the Group provides consultation and advice to these regional property management companies such that they can leverage the Group's experience and platform to improve the standard of their own operations and control their operational costs in their service provision. In addition, the Group provides community leasing, sales and other services at the relevant communities in accordance with the contracts, which in the future may generate additional revenue for the Group.

As of 30 June 2014, the Group contracted to provide consultancy services to 467 residential communities in the PRC. For the six months ended 30 June 2014, income generated from the Group's consultancy services was RMB10.2 million (2013: nil), or 10.7% of its total income for the Period (2013: nil). The gross profit margin for consultancy services was 100%.

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

Engineering Services

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

Automation and other hardware equipment installation services

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

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

Community utility facilities repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further deepening of Colour Life management model of the Group, the Group has promoted an equipment management model to reduce the occurrence of major failures of the abovementioned hardware and equipment that requires large-scale repairs through periodically conducting regular maintenance in communities it manages. On 30 June 2014, the Group was engaged to provide repair and maintenance services to 597 residential communities it manages or provides consultancy services to.

Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to. These equipment include carpark security systems, building access systems and remote surveillance cameras. These equipment were invested by Shenzhen Kaiyuan Tongji and provided for the use of each residential community through the Group's equipment leasing program. As of 30 June 2014, the Group had completed automation and other equipment upgrades at approximately 240 residential communities.

Community Leasing, Sales and Other Services

Leveraging the Group's understanding of the demands of residents living at the residential communities it manages or provides consultancy services to, the Group has strategically focused on developing a service platform for its community leasing, sales and other services through which residents can connect with local vendors for community leasing, sales and other services.

Currently, the Group primarily offers community leasing, sales and other services through an offline service platform. Residents may place orders directly through the Group's on-site management offices or its toll free service hotline. In addition, residents living at the residential communities to which the Group provides online purchase assistance through the Colour Life website may place orders online. The Group started rolling out its online purchase assistance platform at the end of 2012 and operated the online service platform through the Colour Life website.

The Group's community leasing, sales and other services primarily include (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

Common area rental assistance

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

Purchase assistance

Depending on the product or service types, residents may place orders at the Group's on-site management offices, through a toll free service hotline, or through the Colour Life website that covered 663 residential communities as of 30 June 2014. Typically, for purchases of rice, bottled water and cooking oil, residents place orders at the Group's on-site management office or through its toll free service hotline. The Group's on-site management offices maintain a level of inventory of bottled water to meet residents' immediate needs. Based on the Group's orders, the bottled water, cooking oil and rice suppliers will make deliveries to the residential communities the Group manages or provides consultancy services to. The payments are normally settled upon delivery and the Group either receives a percentage of the sales price

or a fixed fee as referral fees from the suppliers. In addition, the Group also purchases and maintains its own inventory of fruits, which the Group sells to the residents living in the communities.

Residential and retail units rental and sales assistance

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

Financial Review

Revenue

The Group's revenue mainly arises from (i) property management services, (ii) engineering services, (iii) community leasing, sales and other services. For the six months ended 30 June 2014, the total revenue increased by 49.0% to approximately RMB163.4 million from RMB109.7 million for the same period in 2013. The increase in revenue was primarily due to (i) an increase in the total revenue-bearing GFA and (ii) an increase in the amount of community leasing, sales and other services the Group delivered.

Property Management Services

For the six months ended 30 June 2014, income from property management services increased by 33.3% from RMB71.7 million in the same period in 2013 to RMB95.6 million.

Such increase was attributable to

- (a) The increases in income from service fees under commission basis and consultancy services due to the increase in GFA managed by the Company, which amounted to RMB18.5 million and RMB10.2 million, respectively. As of 30 June 2014, the effective revenue-bearing GFA increased by 98.9 million sq.m. or over 263.0% from 37.6 million sq.m. as of the same date in 2013 to 136.5 million sq.m.
- (b) Pre-sale ancillary services remained stable in the first half of 2014 as compared to the same period last year.

Property management service income in the first half of 2014 accounted for 58.5% of overall income, representing a decrease of 6.8 percentage points as compared to 65.3% for the same period in 2013. The decrease was primarily due to the growth of the service income from Engineering Services Segment, and Community Leasing, Sales and Other Services Segment.

Engineering Services

For the six months ended 30 June 2014, engineering service income increased by 77.3% from RMB19.8 million for the same period in 2013 to RMB35.1 million.

The growth in engineering services was primarily attributable to (a) the rapid growth in community repair and maintenance service income which increased by 298.2% to RMB22.3 million in the first half of 2014 from RMB5.6 million for the same period in 2013 as the effective revenue-bearing GFA increased; (b) an income of RMB2.4 million derived from the same community equipment leasing income in the first half of 2014 as the Company carried forward its community equipment alteration project; and was offset by (c) the decrease in equipment installation service income of 27.3% to RMB10.4 million in the first half of 2014 from RMB14.3 million for the same period in 2013.

Community Leasing, Sales and Other Services

For the six months ended 30 June 2014, community leasing, sales and other services income increased by 79.7% from RMB18.2 million for the same period in 2013 to RMB32.7 million.

The growth in community leasing, sales and other services was primarily attributable to (a) the rapid growth in software usage fees driven by the Group's growth in the total revenue bearing GFA, the income of which increased by 385.7% to RMB13.6 million in the first half of 2014 from RMB2.8 million for the same period in 2013; (b) the increase in community common area rental assistance commission income of 47.4% to RMB11.5 million in the first half of 2014 from RMB7.8 million for the same period in 2013; (c) other income which remained generally stable.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2014, overall gross profit of the Company increased by 82.4% from RMB59.2 million for the same period in 2013 to RMB108.0 million.

For the six months ended 30 June 2014, the overall gross profit margin increased by 12.1 percentage points to 66.1% in the first half of 2014 from 54.0% for the same period in 2013. The increase was primarily attributable to (a) the increase in the proportion of income under commission basis and consultancy service income which had a gross profit margin of nearly 100% resulting in the consistent growth in gross profit and gross profit margin; and (b) the gradual decrease in the proportion of service income under lump sum basis and pre-sale ancillary service income which had a lower gross profit margin.

Other losses and other income

Other losses for the six months ended 30 June 2014 was a loss of approximately RMB3.6 million, which has increased by 63.6% as compared to approximately RMB2.2 million for the same period in 2013. The increase was mainly attributable to the provision of an impairment allowance for trade receivables of RMB1.4 million during the Period, representing an increase of RMB0.6 million as compared to the RMB0.8 million for the same period in 2013.

During the Period, other income increased by 78.6% from RMB1.4 million for the same period in 2013 to RMB2.5 million. The increase was primarily attributable to the receipt of an unconditional government grants from tax contribution of RMB0.9 million, as compared to the RMB0.2 million for the same period in 2013.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June 2014 was RMB1.4 million, which remained stable as compared to the RMB1.5 million for the same period in 2013.

Administration Costs

During the Period, administration costs decreased by 27.4% from RMB24.8 million for the same period in 2013 to approximately RMB17.9 million. The decrease was primarily attributable to further enhancement of centralised control and further reduction of personnel in each regional business unit, which resulted in the decrease in staff costs of RMB9.5 million and the increase in office expenses of RMB6.8 million as compared to the same period last year. In addition, the layout of area expansion of the Eastern China and Southern China business units were basically completed, which substantially reduced the travelling expenses for market development, resulting in the decrease in travelling expenses of RMB2.7 million.

Expenses Recharged to Residential Communities under Commission Basis

Expenses which the Group can recharge to residential communities under commission basis are administrative expenses which are incurred at the Group's headquarters by departments such as information technology, finance and treasury, human resources, legal and compliance, central command center and operational management team and directly attributable to providing property management services to such communities. Under the relevant property management contracts, the Group is entitled to recharge such expenses to the relevant residential communities. The expenses are allocated and recharged to each community managed on a commission basis with reference to (i) revenue generated by each community's management office, and each management office's contribution to the Group's revenue, and (ii) the expenses incurred at the headquarters which are directly attributable to the performance of property management services at each community.

For the six months ended 30 June 2014, these recharged expenses amounted to RMB10.2 million, representing an increase of 43.7% as compared to RMB7.1 million for the same period in 2013. These increases were primarily attributable to the increase in recovery of costs which was in turn resulted from the simultaneous growth in costs for the headquarter attributable to community management, such as personnel and office expenses, due to the increase in personnel in areas such as financial and human resources for the headquarter as a result of the continuous increase in number of communities, as the effective revenue-bearing GFA increased.

Income tax expense

Income tax expense was RMB24.6 million for the six months ended 30 June 2014, which has increased by 138.8% as compared to RMB10.3 million for the same period in 2013, mainly due to the increase in the Group's profit before tax.

Financial resources

Cash position and gearing

On 30 June 2014, the Group's total cash (including cash and restricted bank deposit and bank deposit balances) have increased by 445.5% from RMB147.1 million as at 31 December 2013 to approximately equivalent to RMB802.5 million. The increases of total cash for the period were primarily resulted from the net proceeds raised by the initial public offering amounted to RMB710 million. As of 30 June 2014 and 31 December 2013, the amount of the Group's total cash was significantly larger than the amount of interest-bearing borrowings.

The financial position continued to be stable. As of 30 June 2014, the current ratio (current asset/current liabilities) of the Group was 4.3, which was largely increased from the 1.2 as at 31 December 2013. The liquidity and security of the asset significantly increased following the successful listing.

Currency risk

The Group principally focused on the operation in PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2014, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group.

Employees and Remuneration Policies

As at 30 June 2014, excluding the employees for communities under commission basis, the Group had approximately 1,050 employees (30 June 2013: approximately 770 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice. Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees) and a discretionary bonus program.

INTERIM DIVIDEND

The Board had resolved that no interim dividend shall be paid for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The shares of the Company were listed on the Stock Exchange on 30 June 2014 (the “**Listing Date**”). The Board is of the view that since the Listing Date up to the date of this announcement, the Company has complied with all the code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, comprising Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Junda, while Mr. Tam Chun Hung, Anthony is the chairman of the committee. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2014. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed securities during the six months ended 30 June 2014.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.colourlife.hk). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 13 August 2014

As at the date of this announcement, the Board comprises Mr. TANG Xuebin, Mr. DONG Dong and Mr. ZHOU Qinwei as executive Directors; Mr. PAN Jun, Mr. LAM Kam Tong and Mr. ZENG Liqing as non-executive Directors; and Mr. TAM Chun Hung, Anthony, Dr. LIAO Jianwen and Mr. XU Junda as independent non-executive Directors.