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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 2016

HIGHLIGHTS

- The Group's revenue for the Period increased by 106.8% to approximately RMB575.1 million from RMB278.1 million for the same period in 2015.
- The Group's gross profit for the Period increased by 23.9% to approximately RMB254.7 million from RMB205.5 million for the same period in 2015. Gross profit margin decreased by 29.6 percentage points from 73.9% for the same period in 2015 to 44.3%. The fluctuation is attributable to the service fees are charged with a larger proportion in terms of GFA being under lump sum basis compared to the corresponding period in 2015.
- The Group's profit for the Period increased by 1.1% to approximately RMB85.0 million from RMB84.1 million for the same period in 2015, while the adjusted profit increased by 18.6% from RMB139.3 million to approximately RMB165.2 million.
- During the Period, community leasing, sales and other services contributed 31.9% of the aggregate segment profit, which was 10.2 percentage points more than that for the same period in 2015, the highest proportion among corresponding periods in three years. This reflects an obvious transformation of the Group's business structure.
- For the Period, net cash generated from operating activities increased by RMB173.3 million to RMB104.2 million.
- As at 30 June 2016, the Group's total bank balances and cash was approximately RMB353.1 million (31 December 2015: approximately RMB419.5 million), representing a decrease of 15.8% as compared to that as at 31 December 2015.
- As at 30 June 2016, the Group's contracted GFA increased by 38.0 million sq.m. to 360.1 million sq.m from 322.1 million sq.m. as at 31 December 2015.

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 2016 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	575,143	278,140
Cost of sales and services		<u>(320,457)</u>	<u>(72,592)</u>
Gross profit		254,686	205,548
Other gains and losses		(17,860)	(26,479)
Other income		8,378	3,871
Selling and distribution expenses		(2,303)	(5,532)
Administrative expenses		(144,186)	(78,660)
Expenses recharged to residential communities under commission basis		33,088	21,611
Finance costs		(11,211)	(6,765)
Change in fair value of investment properties		4,378	2,099
Share of results of associates		338	319
Share of result of a joint venture		<u>203</u>	<u>374</u>
Profit before tax	3	125,511	116,386
Income tax expense	4	<u>(40,492)</u>	<u>(32,237)</u>
Profit for the period		<u>85,019</u>	<u>84,149</u>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investment		79,397	–
Deferred taxation effect on change in fair value of available-for-sale investment		<u>(19,849)</u>	<u>–</u>
Other comprehensive income for the period, net of income tax		<u>59,548</u>	<u>–</u>
Profit and total comprehensive income for the period		<u>144,567</u>	<u>84,149</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		73,467	77,578
Non-controlling interests		11,552	6,571
		<u>85,019</u>	<u>84,149</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		133,015	77,578
Non-controlling interests		11,552	6,571
		<u>144,567</u>	<u>84,149</u>
Earnings per share (RMB cents)			
— Basic	7	<u>7.35</u>	<u>7.76</u>
— Diluted		<u>7.35</u>	<u>7.74</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

		30 June	31 December
		2016	2015
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current Assets			
Property, plant and equipment		175,517	167,099
Investment properties		94,049	88,804
Interests in associates		6,670	6,332
Interest in a joint venture		1,311	1,108
Available-for-sale investment		129,397	–
Intangible assets		184,423	152,033
Goodwill		648,446	575,634
Trade receivables	8	8,990	7,199
Other receivables and prepayments	9	6,681	5,964
Deferred tax assets		23,722	19,722
Amount due from a director		78	–
Deposits paid for potential acquisitions of subsidiaries		142,035	106,736
		1,421,319	1,130,631
Current Assets			
Inventories		3,033	2,106
Amounts due from customers for contract works		34,769	34,328
Trade receivables	8	254,622	179,350
Other receivables and prepayments	9	163,004	111,751
Payments on behalf of residents		205,413	169,626
Amounts due from fellow subsidiaries		14,966	46,548
Amounts due from non-controlling shareholders of the subsidiaries		75,934	46,422
Amounts due from related parties		2,145	7,228
Amount due from an associate		1,318	1,105
Amount due from a director		12	–
Financial assets designated at fair value through profit or loss (“FVTPL”)		57,179	19,200
Pledged/restricted bank deposits		492,300	551,383
Bank balances and cash		353,059	419,478
		1,657,754	1,588,525

		30 June 2016	31 December 2015
	<i>NOTES</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Current Liabilities			
Amounts due to customers for contract works		16,725	17,141
Trade payables	<i>10</i>	97,082	80,231
Other payables and accruals	<i>11</i>	495,262	421,177
Receipts on behalf of residents		130,142	104,033
Amounts due to fellow subsidiaries		49,341	4,734
Amounts due to non-controlling shareholders of the subsidiaries		25,715	30,125
Amount due to an associate		5,145	5,040
Amount due to a joint venture		250	94
Tax liabilities		107,269	108,010
Borrowings due within one year		108,371	302,990
		1,035,302	1,073,575
Net Current Assets		622,452	514,950
Total Assets less Current Liabilities		2,043,771	1,645,581
Non-current Liabilities			
Deferred tax liabilities		82,536	54,033
Amount due to a non-controlling shareholder of a subsidiary		740	816
Borrowings due after one year		439,990	290,000
Amounts due to a fellow subsidiary		1,452	–
Corporate bonds		100,091	–
Total Non-current Liabilities		624,809	344,849
Net Assets		1,418,962	1,300,732
Capital and Reserves			
Share capital		79,325	79,325
Reserves		1,279,550	1,180,066
Equity attributable to owners of the Company		1,358,875	1,259,391
Non-controlling interests		60,087	41,341
Total Equity		1,418,962	1,300,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

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

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The directors of the Company considered the application of the new or revised 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 2016 (unaudited)

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

3. SEGMENT INFORMATION — continued

Six months ended 30 June 2015 (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	149,620	84,724	43,796	–	278,140
Inter-segment revenue	–	444	23	(467)	–
Segment revenue	<u>149,620</u>	<u>85,168</u>	<u>43,819</u>	<u>(467)</u>	<u>278,140</u>
Segment profit	<u>71,968</u>	<u>45,165</u>	<u>32,540</u>		149,673
Changes in fair value of investment properties					2,099
Share of results of associates					319
Share of result of a joint venture					374
Finance costs					(6,765)
Bank interest income					2,537
Share-based payment expense					(31,320)
Other unallocated expense					(531)
Profit before tax					<u>116,386</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Current tax		
The People's Republic of China ("PRC") EIT	46,162	38,198
Republic of Singapore EIT	238	164
Deferred tax	<u>(5,908)</u>	<u>(6,125)</u>
	<u>40,492</u>	<u>32,237</u>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs	307,254	80,703
Amortisation of intangible assets (included in costs of sales)	9,854	3,598
Depreciation for property, plant and equipment	12,853	4,378
Minimum lease payments under operating leases in rented premises	3,490	2,008
Allowance for doubtful debts on trade receivables included in other gains and losses	7,720	9,280
Impairment loss recognised on payments on behalf of residents under commission basis included in other gains or losses	8,281	14,500

6. DIVIDENDS

During the current interim period, a final dividend of HKD10.00 cents per share in respect of the year ended 31 December 2015 (2014: HKD9.00 cents) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to RMB84,695,000 (2015: RMB71,033,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	73,467	77,578
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,119,000	1,000,029,138
Effect of dilutive potential ordinary shares: share options	–	2,525,848
Weight average number of ordinary shares for the purpose of diluted earnings per share	1,000,119,000	1,002,554,986

The computation of diluted earnings per share does not assume the exercise of the share options granted by the Company during the six months ended 30 June 2016 as the exercise price is higher than the average market price of the Company's shares during the mid-year ended 30 June 2016.

8. TRADE RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	266,354	184,594
Retention receivables	4,324	3,880
Invoice to be issued	<u>15,641</u>	<u>13,062</u>
	286,319	201,536
Less: allowance for doubtful debts	<u>(22,707)</u>	<u>(14,987)</u>
Total trade receivables	<u>263,612</u>	<u>186,549</u>
Classified as:		
Non-current	8,990	7,199
Current	<u>254,622</u>	<u>179,350</u>
	<u>263,612</u>	<u>186,549</u>

The following is an aging analysis of gross trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to 深圳市彩之家房地產策劃有限公司, Shenzhen Caizhijia Real Estate Planning Co., Ltd. (“Caizhijia”), of which the invoice date represented the payment due date:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 30 days	77,034	81,728
31 to 90 days	62,332	36,922
91 to 180 days	51,518	26,453
181 to 365 days	48,168	33,280
Over 1 year	<u>27,302</u>	<u>6,211</u>
	<u>266,354</u>	<u>184,594</u>

9. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Other deposits	32,001	16,330
Advance to staff	31,609	25,760
Prepayment for suppliers	25,314	14,325
Receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia	9,970	2,430
Payment on behalf of residents for residential communities under lump sum basis	26,089	22,356
Payment on behalf of residents for residential communities under consultancy services arrangements	29,592	24,186
Receivables from former shareholders of certain subsidiaries	4,172	5,181
Others	10,938	7,147
	<u>169,685</u>	<u>117,715</u>
Classified as:		
Non-current	6,681	5,964
Current	163,004	111,751
	<u>169,685</u>	<u>117,715</u>

10. TRADE PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	<u>97,082</u>	<u>80,231</u>

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0–60 days	74,226	60,805
61–180 days	11,054	9,367
181–365 days	2,687	6,574
Over 1 year	9,115	3,485
	<u>97,082</u>	<u>80,231</u>

11. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Receipts on behalf of residents for residential communities under lump sum basis	41,890	50,181
Receipts on behalf of residents for residential communities under consultancy service arrangements	13,460	3,367
Accrued listing expenses	–	670
Advances from customers	99,431	78,837
Deposits received	58,278	41,217
Other tax payable	49,903	47,843
Rental payable	1,705	1,745
Accrued staff costs	54,512	58,559
Provision for retirement benefit contributions	62,280	60,998
Other payables and accruals	40,752	33,609
Consideration payables for acquisition of subsidiaries	60,851	44,151
Loan from third parties (<i>note</i>)	12,200	–
	495,262	421,177

Note: In June 2016, the Group entered into (a) a loan agreement with its customer 深圳市龍興世紀投資有限公司, Shenzhen Longxing Century Investment Co., Ltd. (“Shenzhen Longxing”) for obtaining a loan of RMB10,700,000 for a period of two months from 28 June 2016 to 28 August 2016. According to the agreement entered into between the Group and Shenzhen Longxing, the amount is unsecured, interest-bearing at 10% per annum over the financing period, (b) a loan agreement with its supplier 深圳市正嘉傑科技有限公司, Shenzhen Zhengjiajie Technology Co., Ltd., for obtaining a loan of RMB1,500,000 for one month from 27 June 2016 to 27 July 2016. The loan is unsecured, interest-free and has been repaid on 7 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group is a leading community services operator in the People's Republic of China (the "PRC" or "China"). Based on the gross floor area ("GFA") of residential communities which the Group was contracted to manage as at 31 December 2015, the Group was named by China Index Academy in 2016 as the provider with the largest coverage of community services in the world in terms of the area of residential properties under its management. The Group has three main business segments:

- property management services, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a commission basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) services such as security, cleaning, gardening, repair and maintenance provided to residential communities on a lump sum basis, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (iii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iv) consultancy services provided 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) assisting residents to complete the transaction of commodity or service through the Group's information system usage or achieving the purpose of providing basic service to the community using the software platform of the Group, (iii) purchase assistance, and (iv) residential and retail units rental and sales assistance.

Property Management Services

The Group adheres to its strategy of rapid expansion in GFA coverage. During the Period, the Group acquired the controlling interest in 9 property management companies, including 1 first class qualified company, 3 second class qualified companies and 5 third class qualified companies. During the Period, the Group obtained contracted GFA of 26.5 million sq.m. through such acquisitions.

Meanwhile, the Group possesses extensive experience in the area of merging and large room for reform and improvement. The Group acquired Shenzhen Kaiyuan International Property Management Co., Ltd. (“Kaiyuan International”), a leading enterprise in the property industry. After a year of collaboration, Kaiyuan International is operating smoothly. With the transformation and completion of the upgrade of communities acquired last year, the customer satisfaction and the property management fee collection rate have both improved during the Period. Therefore, net cash from operating activities for the Period increased by RMB173.3 million from RMB-69.1 million for the same period in 2015 to RMB104.2 million.

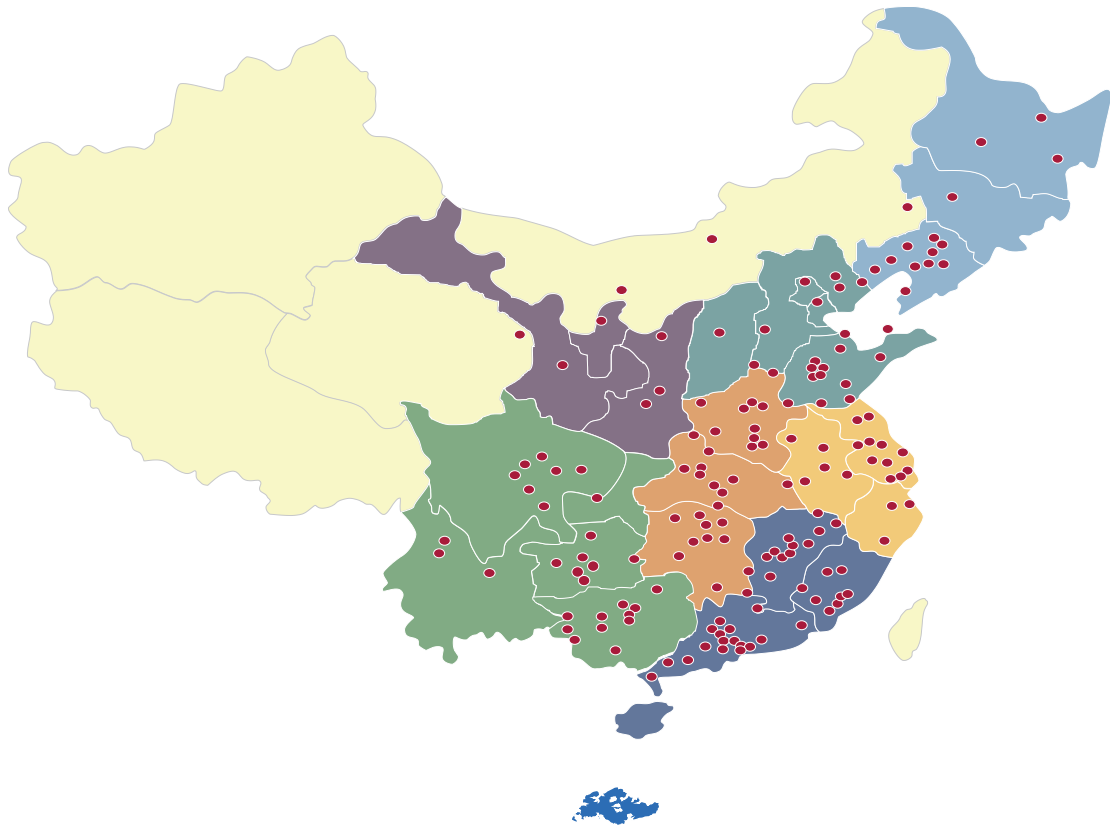
In addition, the Group also focused on driving its organic growth through word-of-mouth marketing and brand building. According to the “2016 Research Report on the Top 100 property service provider in the PRC” issued by the China Index Academy, the Group ranked sixth among the Leading Property Management Companies in terms of customer satisfaction, which laid a solid foundation for obtaining management area through potential new engagements. As at 30 June 2016, the Group’s management service covers Singapore and 180 cities in China and was well-received by the local markets. Newly engaged management area reached 15.5 million sq.m. in the first half of the year.

Through expansion by ways of merger and acquisitions and organic growth (or new engagement), as at 30 June 2016, the contracted GFA of the Group increased by 38.0 million sq.m. from the end of 2015 to 360.1 million sq.m. and the number of management services projects increased by 235 from the end of 2015 to 2,236, which fulfills the Group’s strategy of rapid expansion in GFA coverage.

In order to further speed up the market expansion, the Group launched the Colour Life Property Sales model, under which, the Group collaborates with property developers and financial institutions, such that sales of properties are bundled with coupons that can later be used on the Caizhiyun Platform, a smart community Application (“App”) platform. Since Colour Life Property Sales model primarily targets buyers with limited disposable income, the coupons can assist with lowering the cost of living of the targeted customers. In turn, by launching such coupons, Colour Life Property Sales model can greatly improve the loyalty of the Caizhiyun platform’s users and increase users’ activity. Further to the expansion by ways of merger and acquisitions and organic growth, Colour Life Property Sales model will become the third way of expansion in the future.

Geographical Presence

As at 30 June 2016, the regions with residential communities which the Group managed or provided consultancy services to were as follows:



Southern China

1. Shenzhen
2. Dongguan
3. Foshan
4. Fuzhou
5. Ganzhou
6. Guangzhou
7. Heyuan
8. Huizhou
9. Jingdezhen
10. Nanchang
11. Nankang
12. Putian
13. Qingyuan
14. Shangrao
15. Yangjiang
16. Yichun
17. Yingtian
18. Zhongshan
19. Zhuhai
20. Xiamen
21. Shaoguan
22. Heshan
23. Nan'an
24. Quanzhou
25. Sanming
26. Zhangzhou
27. Nanxiong
28. Longyan
29. Jiujiang
30. Maoming
31. Nanping
32. Xinyu
33. Zhaoqing
34. Haikou
35. Danzhou
36. Fuzhou
37. Shantou
38. Zhanjiang
39. Jinggangshan
40. Fengcheng
41. Ji'an
42. Meizhou
43. Zhangping
44. Sanya
45. Ruijin

Eastern China

46. Changzhou
47. Dongtai
48. Gaoyou
49. Huai'an
50. Jiangyin
51. Jurong
52. Lianyungang
53. Nanjing
54. Nantong
55. Shanghai
56. Suzhou
57. Wuxi
58. Wuhu
59. Xinghua
60. Yancheng
61. Yangzhou
62. Yixing
63. Changshu
64. Kunshan
65. Xuzhou
66. Hangzhou
67. Chuzhou
68. Huzhou
69. Fuyang
70. Jiaxing
71. Linyi
72. Yantai
73. Zhenjiang
74. Zibo
75. Bengbu
76. Hefei
77. Ji'ning
78. Liu'an
79. Qingdao
80. Quzhou
81. Shaoxing
82. Taicang
83. Wenzhou
84. Haining
85. Ji'nan
86. Suqian
87. Tai'an

Southwestern China

88. Chengdu
89. Liuzhou
90. Dali
91. Guilin
92. Nanning
93. Zigong
94. Chongzuo
95. Baise
96. Guigang
97. Zunyi
98. Guiyang
99. Fangchenggang
100. Deyang
101. Guang'an
102. Laibin
103. Lijiang
104. Mianyang
105. Pingnan
106. Suining
107. Tongren
108. Yizhou
109. Chongqing
110. Ziyang
111. Anshun
112. Beihai
113. Guanghan
114. Kunming
115. Guangyuan
116. Neijiang
117. Duyun
118. Fuquan
119. Longli
120. Majiang

Northeastern China

121. Gaizhou
122. Harbin
123. Huludao
124. Shenyang
125. Shuangyashan
126. Tieling
127. Yingkou
128. Diaobingshan
129. Benxi
130. Changchun
131. Panjin
132. Dalian
133. Mudanjiang

Northwestern China

134. Xi'an
135. Yinchuan
136. Lanzhou
137. Hancheng
138. Xi'ning
139. Yulin

Northern China

140. Beijing
141. Qinhuangdao
142. Tianjin
143. Shijiazhuang
144. Baotou
145. Tongliao
146. Wuhai
147. Taiyuan
148. Tangshan
149. Hulunbuir
150. Ulanqab

Central China

151. Changsha
152. Xinxiang
153. Yiyang
154. Zhengzhou
155. Wuhan
156. Chenzhou
157. Kaifeng
158. Anyang
159. Xiangyang
160. Jingmen
161. Puyang
162. Yichang
163. Yueyang
164. Zhangjiajie
165. Zhuzhou
166. Huixian
167. Luohe
168. Xiangtan
169. Huanggang
170. Changde
171. Jingzhou
172. Loudi
173. Luoyang
174. Wugang
175. Suizhou
176. Nanyang
177. Xingyang
178. Shangqiu
179. Enshi

Non-Mainland China

180. Hong Kong

Oversea

181. Singapore

The Group's total contracted GFA had grown continuously during the first half of 2016. The table below sets forth the total contracted GFA and the number of residential communities that the Group managed or provided consultancy services to in different regions as at the dates indicated below:

	As at 30 June 2016				As at 31 December 2015			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Total Contracted GFA (<i>'000 sq.m.</i>)	Number	Total Contracted GFA (<i>'000 sq.m.</i>)	Number	Total Contracted GFA (<i>'000 sq.m.</i>)	Number	Total Contracted GFA (<i>'000 sq.m.</i>)	Number
Shenzhen	7,648	131	753	18	7,578	129	753	18
Southern China(excluding Shenzhen) ⁽¹⁾	67,691	469	3,807	17	58,439	414	3,807	17
Eastern China ⁽²⁾	106,343	690	7,714	44	104,313	652	7,483	43
Southwestern China ⁽³⁾	56,370	328	798	2	40,702	236	798	2
Northeastern China	8,462	49	3,429	21	10,044	58	3,429	21
Northwestern China	16,922	75	76	1	15,439	68	76	1
Northern China ⁽⁴⁾	16,215	80	2,005	19	13,855	70	2,005	19
Central China ⁽⁵⁾	60,473	236	334	2	52,076	198	300	1
Non-mainland China	40	16	-	-	40	16	-	-
Singapore	987	38	-	-	987	38	-	-
Total	341,151	2,112	18,916	124	303,473	1,879	18,651	122

Notes:

- (1) The Group newly entered Meizhou, Zhangping, Sanya and Ruijin as at 30 June 2016.
- (2) The Group newly entered Tai'an as at 30 June 2016.
- (3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli and Majiang as at 30 June 2016.
- (4) The Group newly entered Hulunbuir and Ulanqab as at 30 June 2016.
- (5) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu and Enshi as at 30 June 2016.

As at 30 June 2016, the Group had grown its contracted GFA coverage to 180 cities in China and one country outside China. As at 30 June 2016, the Group was contracted to manage 2,112 residential communities with an aggregate contracted GFA of approximately 341.2 million sq.m. and entered into consultancy services contracts with 124 residential communities with an aggregate contracted GFA of approximately 18.9 million sq.m. The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies. The table below sets forth the movement of the total contracted GFA and the number of residential communities the Group managed or provided consultancy services to during the first half of 2016:

	As at 30 June 2016				As at 31 December 2015			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities	Total Contracted GFA	Number of residential communities
	('000 sq.m)		('000 sq.m)		('000 sq.m)		('000 sq.m)	
As at the beginning of the year	303,473	1,879	18,651	122	137,164	796	68,086	469
New engagements ⁽¹⁾	15,515	81	-	-	51,804	221	241	1
Acquisitions	26,251	173	265	2	85,083	657	2,040	8
Transfer from consultancy service to self-management ⁽²⁾	-	-	-	-	47,540	341	(47,540)	(341)
Terminations ⁽³⁾	(4,088)	(21)	-	-	(18,118)	(136)	(4,176)	(15)
As at the end of the year	<u>341,151</u>	<u>2,112</u>	<u>18,916</u>	<u>124</u>	<u>303,473</u>	<u>1,879</u>	<u>18,651</u>	<u>122</u>

Notes:

- (1) In relation to residential communities that the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to residential communities that the Group provided consultancy services to, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group acquired the property management companies to which it provided consultancy services previously, resulting in the relevant residential communities under the Group's consultancy service arrangements transferred into those the Group managed.
- (3) Including the contracted GFA and the number of residential communities which the Group ceased to manage primarily due to non-renewal of certain property management contracts.

Nature of the Property Developers

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

	As at 30 June 2016				As at 31 December 2015			
	Total Contracted GFA (’000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties	Total Contracted GFA (’000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties
Properties constructed by independent property developers other than the Fantasia Group	351,302	97.6%	2,202	98.5%	314,416	97.6%	1,970	98.5%
Properties constructed by the Fantasia Group	8,765	2.4%	34	1.5%	7,708	2.4%	31	1.5%
Total	360,067	100%	2,236	100%	322,124	100%	2,001	100%

Scope of Services for Property Management Services

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

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

Security services

The Group endeavors to provide high-quality security services to ensure that the communities it manages are well protected. The Group seeks to enhance the quality of its security services through equipment 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 systems; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generators, water pumps and water tanks. The Group provides such services through its specialised subsidiaries or third-party sub-contractors.

Colour Life Property Management Services Model

As at 30 June 2016, the Group employed over 35,452 on-site personnel to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2016		As at 31 December 2015	
	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	0.8–8.0	1.0–6.9	0.8–8.0	1.0–6.9
Southern China (excluding Shenzhen) ⁽¹⁾	0.4–3.75	0.75–2.9	0.4–3.75	0.75–2.9
Eastern China ⁽²⁾	0.2–6.5	1.0–4.2	0.2–6.5	1.0–4.2
Southwestern China ⁽³⁾	0.3–5.68	0.5–5.0	0.3–5.68	0.5–5.0
Northeastern China	0.4–3.7	1.8	0.4–3.7	1.8
Northwestern China	0.6–1.2	1.88	0.6–1.2	1.88
Northern China ⁽⁴⁾	1.8–3.4	0.75–3.5	1.8–3.4	0.75–3.5
Central China ⁽⁵⁾	0.5–4.18	0.5–2.48	0.5–4.18	0.5–2.48
Singapore	1.23	–	1.23	–
Hong Kong	1.42–20.35	–	1.42–20.35	–

Notes:

- (1) The Group newly entered Meizhou, Zhangping, Sanya and Ruijin as at 30 June 2016.
- (2) The Group newly entered Tai'an as at 30 June 2016.
- (3) The Group newly entered Guangyuan, Neijiang, Duyun, Fuquan, Longli and Majiang as at 30 June 2016.
- (4) The Group newly entered Hulunbuir and Ulanqab as at 30 June 2016.
- (5) The Group newly entered Suizhou, Nanyang, Xingyang, Shangqiu and Enshi as at 30 June 2016.

Traditional community services cover four areas, “security”, “Cleaning”, “Greening” and “Repair and maintenance”, which show significant labour-intensive characteristics. However, the Group always believes that the community services industry will experience transformation from a labour-intensive industry to a technology-intensive industry. Thus, the Group has strived to provide better experience to the communities through the use of internet, investment in smart devices and optimisation of the management system, since its establishment in 2002.

For example, the Group reduces of its demand for certain security guards in providing community services by the installation and application of automated access system and parking system. The Group equips cleaners with machines and equipment such as high-pressure water cannons and cleaning vehicles, enabling them to provide recurring service for communities under its management and in turn improving cleaning efficiency significantly. Meanwhile, the Group keeps up to establish a flat management system, the use of internet and mobile internet facilitated the effective monitoring of the Group’s projects across the country from its headquarter, bringing great change to the traditional property management industry which relied on people to conduct monitoring. Subject to professional sub-contracting, the Group’s headquarter sends job checklists to personnel responsible for securities, cleaning, greening and repair and maintenance of offices in different cities on a daily basis. The Group conducts random examination on on-site situation of each professional sub-contracting service through CCTV cameras and endeavors to collect satisfaction feedbacks from residents after providing services. These fully realise closed-loop management from headquarter to end projects. Besides, with operating experience of nearly 14 years, the Group has compiled significant community operation data and established standardised service systems. The Group classifies property projects under its management into three categories (cost-effective, easeful and delicate) according to difference in charging standards and areas of respective projects. The Group develops standardised hardware modification solutions and determines service frequencies for each category to ensure consistent customer experience for different projects in respective category and to the Group’s rapid expansion in the PRC.

Leveraging on the establishment of the automated, centralised and standardised management system, the Group significantly improved its service efficiency while securing satisfaction from customers. According to the “2016 China Top 100 Property Service Companies Report (《2016 中國物業服務百強企業專項研究報告》)”, the Group ranked sixth in “China Leading Property Management Companies in terms of Customer Satisfaction”.

The Group considers that any cost-saving methods will eventually have limitations, thus basic property management services for the community require more in-depth reforms. In 2015, the Group cooperated with E-Repair platform to explore the provision of repair services to communities and homes. First, the operation and allocation of the E-Repair platform has changed the traditional service model with on-site workers and fixed salary. The platform's improved payment method which is based on the repair outcomes and adopted mechanism of priority orders for better feedbacks secured the quality of repair services in common areas. Meanwhile, E-Repair established a trustworthy relationship with residents through repair services in common areas in the community, and stepped further to enter into households to provide repair services for homes. As at 30 June 2016, the average daily order volume of E-Repair exceeded 8,000, among which 95% came from property owner's households. E-Repair rewards a certain amount earned from their orders as commission fee to the Group. Through the cooperation with E-Repair, the Group not only increased its service efficiency but also improved its customer satisfaction. The Group will progressively bring basic property services such as community cleaning and community security online based on the same model in the future. Besides, the Group assigns customer services managers to serve the communities based on the number of residents in such communities. The customer services managers schedule visits with the residents through the online platform for following up and providing feedbacks in response to the level of customer satisfaction in a timely manner in order to, on the one hand, ensure the quality of the offline community services and, on the other hand, remaining alert on the services required by the residents in the community. The Group will promote development of corresponding value-added services such as repair and cleaning services and organically integrate the community's online and offline businesses, to further enhance the Group's competitiveness.

Consultancy Services

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

As at 30 June 2016, the Group was contracted to provide consultancy services to 124 residential communities in the PRC. During the Period, income generated from the Group's consultancy services was RMB16.5 million (2015: RMB39.8 million), or 2.9% of its total revenue for the period (2015: 14.3%). The gross profit margin for consultancy services was nearly 100%.

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

Engineering Services

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its wholly-owned 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.

To further increase the efficiency of its property services and bring better experience to customers, the Group has been conducting Internet-based transformation in hardwares and softwares, for all the projects under its management. In October 2015, the Colour Life Smart Community Model was upgraded from Version 2.3 to Version 3.0, realising primarily comprehensive professionalism and commercialisation. The use of ICE system and synergistic working of operating centre create a highly efficient and professional community service system. Meanwhile, Model 3.0 enlarges the design of access and scenario and research so as to make it more convenient for customers to connect to the Caizhiyun APP and effectively improves customers’ loyalty, creating an Internet ecosystem from multiple aspects such as users’ demand and providing highly efficient support. During the Period, the Group completed 223 projects of hardware modification to Version 3.0.

Automation and other hardware equipment installation services

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

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

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

Community utility facilities repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further implementation of Colour Life management model of the Group, the Group has promoted an equipment management model in communities it manages to reduce the occurrence of major failures of the above mentioned hardware and equipment that requires large-scale repairs through regular maintenance. As at 30 June 2016, the Group was engaged to provide repair and maintenance services to 970 residential communities it manages or provides consultancy services to, covering an area of 121.0 million sq.m.

Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services including car park security systems, building access systems and remote surveillance cameras. The upgraded equipments were engineered by Shenzhen Kaiyuan Tongji and provided for the use of each residential community through the Group's equipment leasing program. As at 30 June 2016, the Group has completed automation and other equipment upgrades of 949 residential communities in total.

Community leasing, sales and other services

With 14 years of experience in community management and services, the Group has established a comprehensive online and offline service team who had built up trust with the community residents and has comprehensive understanding on the demands of the community residents and the scenarios of the community. Leveraging on the understanding of the residents of the communities for which the Group provides management services or consultancy services, the Group focuses on the construction of an open online platform, enabling the residents to connect with local vendors for services or goods via the online and offline platform and creating a community living environment which offers goods and services more conveniently with better bargains.

Caizhiyun APP, the online operating platform of the Group, reported significant progress in the first half of 2016. In addition to basic functions such as handling property management fee payments and complaints as well as issuing service notices, functions with higher utilisation rates, such as "Scan to Access the Community Gate" (掃一掃開社區大門), were also introduced to enhance the interaction and connection between community property owners and the Group, as well as to strengthen owners' loyalty with the Caizhiyun APP. As at 30 June 2016, registered users of Caizhiyun increased to over 2,150,000, of which over 1,133,000 were active users. The active rate increased to 52.7%. In the future, the Group will further strengthen its ability to investigate and foster community accesses and community scenarios, facilitating the seamless integration of its online and offline businesses.

During the Period, the Group continues to focus on its strategy of building up an open platform and has commenced cooperation with a number of third parties through vertical business incubation and adopted value chain restructuring strategy to jointly explore opportunities for business expansion in diversified community scenarios. Currently, the Group has established cooperation with E-Master (the provider of E-Repair services), Hehenian (合和年)(the provider of E-Wealth Management services), Caizhijia (彩之家)(the provider of E-Leasing services), JD.com (京東), Pacific Insurance, Hua.com (花禮網), Dongxing Travel (東星旅遊) and Shenzhen Airlines, etc. As at 30 June 2016, E-Repair recorded a daily order volume of more than 8,000 orders, 95% of which came from property owners' households; E-Wealth Management amassed an aggregate investment of RMB656.6 million in the first half of the year, of which "Colour Wealth Life" (彩富人生) contributed an investment amount of RMB603.1 million, contributing RMB12.9 million to the revenue in the first half of the year, representing a year-on-year increase of 804.8%. Such positive operating data have highlighted the initial success of the Colour Life Ecosystem. Another remarkable event is that the Group has commenced pilot work of "Safe Community Model of Smart Community of the Ministry of Public Security (公安部智慧社區安全示範小區)" with Zixu Technology (紫旭科技集團)(a provider of smart urban construction and operation services) to conduct tests on software and hardware equipment including face recognition system. At the same time, the Group established "Community Scenario Laboratory (社區場景研究室)" with LKK Design Group (洛可可創意設計集團) to jointly investigate different community scenarios, with an aim to introduce more products and services which are more user-friendly and fashionable that can satisfy users' demands in the community.

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

Common area rental assistance

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

Platform usage fees

With the growth of the total contracted GFA as well as the areas which the Group provides consultancy services, the Group expects that the potential demands for local products and services among its large number of residents will increase. Accordingly, the Group has collaborated with providers of various products and services through Caizhiyun APP, its online platform, and promotes products or services to property owners through Caizhiyun APP. Providers of products and services will pay certain proportion of their sales revenue to the Group as commission after successful transactions. As at 30 June 2016, Caizhiyun APP serves 1,835 residential communities.

Purchase assistance

Apart from cooperation with online platforms, the Group also established offline cooperation with providers of certain goods and services. Providers promote their goods and services in the community by way of offline events or on-site sales. The Group receives certain proportion of the sales price or a fixed fee as referral fees from the providers.

Residential and retail units rental and sales assistance

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

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 2016, the total revenue increased by 106.8% to approximately RMB575.1 million from RMB278.1 million for the six months ended 30 June 2015.

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

— Property Management Services

For the Period, revenue from property management services increased by 193.7% from RMB149.6 million for the six months ended 30 June 2015 to RMB439.4 million.

Such increase was primarily attributable to:

- (a) an increase in the revenue of approximately RMB291.5 million under lump sum basis due to the completion of the acquisition of Kaiyuan International, as well as other property management companies, whose service fees are charged with a larger proportion in terms of GFA being under lump sum basis. As at 30 June 2016, the revenue-bearing GFA under lump sum basis increased by 31.7 million sq.m. to 32.0 million sq.m. from 0.3 million sq.m. as at the same date in 2015;
- (b) an increase in revenue of RMB13.7 million from service fees charged under commission basis which in turn was driven by the growing revenue-bearing GFA. As at 30 June 2016, the revenue-bearing GFA under commission basis increased by 34.4 million sq.m., or 19.9%, from 173.2 million sq.m. as at the same date in 2015 to 207.6 million sq.m.;

- (c) an increase in revenue of RMB8.0 million from services fee charged for rendering pre-sale related services for the six months ended 30 June 2016 as compared to that charged for the six months ended 30 June 2015;
- (d) a decrease in revenue of RMB23.3 million from fees charged under consultancy services contracts due to the completion of acquisition of the property management companies previously under the Group's consultancy service. As at 30 June 2016, the revenue-bearing GFA under consultancy services contracts decreased by 8.2 million sq.m., or 34.3%, to 15.7 million sq.m. from 23.9 million sq.m. as at 30 June 2015.

Due to the facts discussed above, revenue from property management services for the Period accounted for 76.4% of the Group's total revenue, representing an increase of 22.6 percentage point as compared to that of 53.8% for the six months ended 30 June 2015.

— *Engineering Services*

For the Period, revenue from engineering service decreased by 24.1% from RMB84.7 million for the six months ended 30 June 2015 to RMB64.3 million.

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

- (a) a reduction in community repair and maintenance service income which decreased by 40.3% to RMB28.3 million for the six months ended 30 June 2016 from RMB47.4 million for the six months ended 30 June 2015, which was caused by the introduction of E-Repair, turning the traditional property management cost to on-line value-added service.
- (b) a decrease in the revenue from equipment installation services of 19.5% to RMB21.5 million for the six months ended 30 June 2016 from RMB26.7 million for the six months ended 30 June 2015, which was determined by the completion schedules.
- (c) an increase in the revenue of RMB3.8 million charged for the community equipment leasing income for the Period which is in line with the Group's community equipment upgrade program.

— *Community Leasing, Sales and Other Services*

For the Period, revenue from community leasing, sales and other services increased by 63.0% from RMB43.8 million for the corresponding period in 2015 to RMB71.4 million.

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

- (a) an increase in platform usage fees of approximately RMB19.0 million driven by the Group's growth in the total revenue-bearing GFA and the expansion of online to offline service, which increased by 106.1% to RMB36.9 million for the Period from RMB17.9 million of that in the six months ended 30 June 2015;
- (b) an increase in common area rental assistance income of 59.2% to RMB24.2 million for the six months ended 30 June 2016 from RMB15.2 million for the six months ended 30 June 2015.

Cost of Sales and Services

The Group's cost of sales and services primarily comprises labour costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation and others. For the Period, cost of sales and services increased by 341.5% from approximately RMB72.6 million for the six months ended 30 June 2015 to approximately RMB320.5 million. The increase was primarily attributable to the acquisition of Kaiyuan International and other property management companies. The majority of the cost is charged with the property management services under lump sum basis and pre-sale services contracted with property developers.

Gross Profit and Gross Profit Margin

For the Period, the overall gross profit increased by RMB49.2 million from approximately RMB205.5 million for the six months ended 30 June 2015 to approximately RMB254.7 million. The increase in gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin decreased by 29.6 percentage points to 44.3% for the Period from that of 73.9% for the six months ended 30 June 2015. The decrease was primarily attributable to the increase in the proportion of payments received from property management service under lump sum basis, which had a relatively lower gross margin rate.

(i) Property Management Services

For the Period, the gross profit margin of property management services decreased by 40.4 percentage points from 74.8% for the six months ended 30 June 2015 to 34.4%. The decrease was primarily due to the increasing proportion of payments generated from property management services under lump sum basis, which had a relatively lower gross profit margin compared to the property management services under commission basis and consulting service.

(ii) Engineering Services

For the Period, gross profit margin for the engineering services segment decreased by 7.0 percentage points from approximately 59.0% for the six months ended 30 June 2015 to approximately 52.0%. The decrease was primarily attributable to the decrease in the proportion of repair and maintenance service income which had a higher gross profit margin.

(iii) Community Leasing, Sales and Other Services

For the Period, gross profit from the community leasing, sales and other services segment increased by 60.8% to approximately RMB70.1 million from approximately RMB43.6 million for the six months ended 30 June 2015. Gross profit margin remained at nearly 100%, being 98.1%, which was stable as compared to that of the six months ended 30 June 2015.

Other Gains and Losses

The Group's other gains and losses decreased by 32.5% from a loss of RMB26.5 million for the six months ended 30 June 2015 to a loss of RMB17.9 million for the Period. The decrease was primarily due to a decrease of RMB7.8 million in impairment loss recognised both on trade receivables and payments on behalf of residents under commission basis which the Company believes may not be recovered based on the Company's review of the balances for the Group's property management and engineering services contracts.

Other Income

The Group's other income for the Period was RMB8.4 million, which increased by 115.4% as compared to that of the six months ended 30 June 2015. The increase was mainly attributable to an increase of RMB2.7 million in the unconditional government grant received for the Period.

Selling and Distribution Expenses

Selling and distribution expenses for the Period was RMB2.3 million, which decreased by 58.2% from RMB5.5 million for the corresponding period in 2015. The decrease was mainly due to the decrease in the promotion expenses for the online platform Caizhiyun APP.

Administrative Expenses

The Group's administrative expenses increased by 83.2% from RMB78.7 million for the six months ended 30 June 2015 to RMB144.2 million for the Period. The Group continues to tighten its cost control measures. The increase in administrative expenses was primarily attributable to (i) the grant of share options by the Company on 18 March 2016, together with the batches granted on 30 April 2015 and 29 September 2014, respectively, resulting in a charge of an amount of RMB51.2 million administrative expenses for the Period; (ii) an increase of RMB14.7 million of charge in depreciation and amortization expenses due to the addition of property, plant and equipment and intangible assets; (iii) the expansion of the Group's business scale which is in line with the Group's growing GFA resulting an increase in back offices personnel relocated for headquarter management function as well as other centralized services like finance and human resources services; and (iv) an increase in the Group's regional administrative costs associated with some of the acquisitions of local property management companies by the Group, as a result of the Group's expansion to new areas/cities.

Expenses recharged to Residential Communities under Commission Basis

For the Period, the Group's expenses recharged to residential communities under commission basis amounted to RMB33.1 million, representing an increase of 53.2% as compared to RMB21.6 million for the six months ended 30 June 2015. The increase was primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc. And therefore the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs was RMB11.2 million for the Period, which was an increase of 64.7% as compared to RMB6.8 million for the corresponding period in 2015, mainly due to the increase in bank borrowings and the Group's issuance of domestic corporate bonds in January 2016.

Share Options

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

On 18 March 2016, the Company granted 34,247,488 share options to its Directors, certain employees of the Group and certain minority shareholders of the Company's subsidiaries, respectively, for which the exercise price is HK\$5.76 each. Together with the effect of share options granted on 29 September 2014 and 30 April 2015, the total share option expense charged to the statement of profit or loss for the six months ended 30 June 2016 was approximately RMB51.2 million.

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties increased by 109.5% to a gain of RMB4.4 million for the Period from a gain of RMB2.1 million for the six months ended 30 June 2015, which was primarily due to the addition of investment properties and the growth in market value of the respective investment properties.

Income Tax Expenses

The Group's income tax expenses increased by 25.8% to approximately RMB40.5 million for the Period from approximately RMB32.2 million for the six months ended 30 June 2015. The increase was primarily due to an increase of current tax for EIT by 20.8% from RMB38.4 million for the six months ended 30 June 2015 to RMB46.4 million.

Adjusted Profit for the Period

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

	For the six months ended 30 June		Variance	
	2016	2015	Amount	%
	RMB'000	RMB'000	RMB'000	
Profit for the period under HKFRS	85,019	84,149	870	1.0%
Add:				
Share option expenses	51,164	31,320	19,844	63.4%
Depreciation and amortisation	17,030	5,982	11,048	184.7%
Allowance for doubtful debts on trade receivables	5,790	6,960	(1,170)	(16.8%)
Impairment loss recognized on payments on behalf of residents under commission basis	6,211	10,875	(4,664)	(42.9%)
Adjusted profit for the period	<u>165,214</u>	<u>139,286</u>	<u>25,928</u>	<u>18.6%</u>

Adjusted profit for the Period was RMB165.2 million, representing an increase of 18.6% from RMB139.3 million for the same period in 2015.

Trade and Other Receivables

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

As at 30 June 2016, total trade receivables of the Group amounted to approximately RMB263.6 million, representing an increase of approximately RMB77.1 million compared to approximately RMB186.5 million as at 31 December 2015. The increase was attributable to the significant increase in GFA from which the Group effectively generated income during the period.

Other receivables and prepayments increased from approximately RMB117.7 million as at 31 December 2015 to approximately RMB169.7 million as at 30 June 2016, the increase was primarily attributable to: (i) an increase of RMB15.7 million in other deposits mainly from rental deposits for the leasing of Shanghai Colour Life Times Plaza (上海彩生活時代廣場); (ii) an increase of RMB11.0 million in prepayment to suppliers due to the prepayment of equipment upgrade projects, which were widely promoted among residential communities that the Group managed; (iii) an increase of RMB7.5 million in receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia due to the Group's revenue growth in residential and retail units rental assistance services; (iv) an increase of RMB5.8 million in advance to staff due to the Group's growing contracted GFA; (v) an increase of RMB5.4 million in payment on behalf of residents for residential communities under consultancy services arrangement.

Payments/Receipts on Behalf of Residents

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

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

Trade and Other Payables

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

- (1) trade payables increased from approximately RMB80.2 million as at 31 December 2015 to approximately RMB97.1 million as at 30 June 2016. This was primarily due to growth of the Group's property management services business under lump sum basis.
- (2) other payables and accruals increased from approximately RMB421.2 million as at 31 December 2015 to approximately RMB495.3 million as at 30 June 2016, primarily attributable to:
 - (i) an increase of RMB16.7 million in consideration payable for acquisition of subsidiaries for the Period;
 - (ii) an increase of RMB20.6 million in advances from customers due to the new acquisitions of property management companies by which most of the property management services provided are under lump sum basis;
 - (iii) an increase of RMB24.2 million in deposit received and other payable and accruals due to the Group's business and expansion; and
 - (iv) loans received amounting to RMB12.2 million from third parties.

Cash Position

As at 30 June 2016, the Group's total cash (including restricted bank deposits) decreased by 12.9% from RMB970.9 million as at 31 December 2015 to approximately RMB845.4 million. Among the Group's total cash, RMB492.3 million (31 December 2015: RMB551.4 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's IPO net proceeds from offshore to onshore entities.

The financial position remained stable. As at 30 June 2016, the current ratio (current asset/current liabilities) of the Group was 1.6 (31 December 2015: 1.5).

Currency Risk

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

Employees and Remuneration Policies

As at 30 June 2016, excluding the employees for communities under commission basis, the Group had approximately 7,886 employees (31 December 2015: approximately 7,537 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

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

INTERIM DIVIDEND

The Board had resolved that no interim dividend shall be paid for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “Share Award Scheme”) passed by the Board at the Board meeting held on 4 July 2016. The adoption of the Share Award Scheme does not require the approval of the shareholders of the Company.

The major terms of the Share Award Scheme are summarized as follows:

(i) Purpose

The purpose of the Share Award Scheme is to enable the Company to grant shares of Colour Life (the “Incentive Shares”) as incentive to selected eligible participants of the Share Award Scheme (the “Grantees”) as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Award Scheme will provide the Grantees with the opportunity to acquire proprietary interests in the Company and will encourage them to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole.

(ii) Fund available for the Share Award Scheme

The RMB10,000,000 is the initial amount to be provided for the Share Award Scheme. The Board may by resolution determine such other amount that may be provided for the Share Award Scheme, which shall have a limit of up to 20,000,000 Shares, representing approximately 2% of the issued share capital of the Company as at 4 July 2016.

(iii) Term

The Share Award Scheme will have an effective term of five years from the date of its adoption.

(iv) Trustee

A trustee (the “Trustee”) will be appointed by the Company for holding the Shares granted under the Share Award Scheme.

(v) Eligible Persons

The Grantees under the Share Award Scheme will include employees of the Group (including directors) and consultants to the Group.

The chief executive officer and chief human resource officer authorized by the Board will determine from time to time a list of the Grantees and the terms and conditions of such grant of Incentive Shares to them and Mr. Duan Feiqin, an assistant president of the Company or any other person that may be designated by the Board from time to time, will instruct the Trustee to purchase on the market such number of Shares for the Share Award Scheme.

(vi) Transfer of the Incentive Shares to the Grantees

The Trustee will transfer the Incentive Shares to the Grantees when all conditions to the grant, including vesting conditions and/or performance target (if any) are met. The exact terms and conditions of the grant will be determined by the Chief Executive Officer and the Chief Human Resource Officer authorised by the Board at the time of the granting of the award.

As at the date of this announcement, no Incentive Shares had been awarded or agreed to be awarded under the Share Award Scheme.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For the period throughout the six months ended 30 June 2016, the Board is of the view that the Company has complied with all code provisions under the CG Code save for the following deviation:

In respect of the code provision E.1.2 of the CG Code, the Chairmen of the Audit Committee and Remuneration Committee and other committee members were not present at the annual general meeting (“**AGM**”) of the Company held on 13 May 2016 due to other business commitment and no delegate was appointed to attend the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code 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 Xinmin, 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 2016. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2016 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 2016.

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 2016 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, 10 August 2016

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