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**Colour Life Services Group Co., Limited**

(Stock code: 1778)

**Colour Life Announces Its Interim results for 2016**  
**Achieved Persistent High Growth in Revenue with Strong Cash Flow**  
**Structural transformation – value-added services to become key growth driver**

**Financial and business highlights for 1H2016**

- **Accomplished outstanding results for the period with rapid growth in revenue**
  - ✓ Achieved revenue of RMB575.1 million for the period, up significantly by 106.8% year on year
  - ✓ Gross profit was approximately RMB254.7 million, up 23.9% year on year
  - ✓ Gross profit maintained at a healthy level of 44.3%, matching the management's expectation<sup>1</sup>
  - ✓ Adjusted profit for the year amounted to RMB165.2 million, up 18.6%/RMB25.9 million from RMB139.3 million for the same period in 2015
  
- **Achieved significant synergies with ample cash and robust financial strength**
  - ✓ Achieved RMB104.2 million positive cash flow from operating activities, up RMB173.3 million year on year
  - ✓ Cash and bank balance stood at RMB353.1 million as at 30 June 2016, still maintained a net cash balance position
  
- **Achieved significant transformation in business structure, with value-added services becoming a key growth driver**
  - ✓ Revenue from value-added services for the period was RMB71.4 million, up 63.1% year on year. Gross profit increased to approximately RMB70.1 million, and gross profit margin remained at around 98.1%
  - ✓ Value-added services took up 31.9% of the segment profit for the period, increasing 10.2 percentage points more compared to that of the six months ended 30 June 2015, the highest proportion among corresponding period in recent three years
  - ✓ Value-added services became the second largest revenue and profit contributor, indicating initial success from the business structure transformation
  
- **Established further in branding and operating scale, reinforced position as the world's largest community services provider by scale**
  - ✓ Ranked sixth among the Leading Property Management Companies in terms of customer satisfaction according to the "2016 Research Report on the Top 100 property service provider in China" issued by China Index Academy
  - ✓ As at 30 June 2016, GFA under the Group's management increased by 38.0 million sq. m. reaching 360.1 million sq.m. ,and the number of projects increased by 235 to 2,236 from 31 December 2015, thereby achieved relatively rapid expansion in GFA under management
  
- **Adhered to exploring B2F platform and establishing a B2F ecosystem to strengthen competitiveness**
  - ✓ Focused on provision of premium essential community services and establishing a community B2F platform

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| ✓ Sought more co-operation with vertically integrated professional B2F enterprises to establish a community B2F ecosystem |
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(Hong Kong, 11 August 2016) **Colour Life Services Group Co., Limited** (“Colour Life” or the “Company”, together with subsidiaries, the “Group”, HKEx stock code: 1778), the world’s largest residential community services operator was pleased to announce its unaudited interim results for the six months ended 30 June 2016.

As at 30 June 2016, GFA covered by Colour Life’s community management services aggregated 360.1 million sq.m. in 2,236 residential communities, up from the 322.1 million sq. m., and up 235 communities from the 2,001 residential communities, respectively, by 31 December 2015. Colour Life achieved revenue of RMB575.1 million, up 106.8% from the RMB278.1 million for the same period in 2015. Gross profit for the period was RMB254.7 million, up 23.9% from the RMB205.5 million for the same period in 2015. Gross margin was maintained at a healthy level of 44.3%, matching the management’s expectation. The year-on-year decline in gross margin was primarily attributable to the different benchmarks applied to revenue recognition on lump sum basis and commission basis<sup>1</sup>.

The adjusted profit for the first half of 2016 amounted to RMB165.2 million, up 18.6%/ RMB25.9 million from the RMB139.3million for the same period in 2015. Profit for the Period of the Group was approximately RMB85.0 million, up 1.1%/RMB0.9 million from the RMB84.1 million for the same period in 2015.

**Mr. Pan Jun, Chairman of the Board and non-Executive Director of Colour Life**, said: “During the first half of of 2016, our Group progressively implemented our upgrades and reforms and accelerated integration of the newly acquired entities, a process that helped to generate efficiency bonus for our persistent efforts in automation, standardization and centralized administration. At the same time, based on our ongoing ‘deconstruct + reconstruct’ exploration in community scenes, we persisted in implementing the strategy of developing B2F (Business to Family) ecosystem by setting collaboration with those enterprises which offer vertical services with professional experience and ambition in community operating . During the first half of 2016, we achieved breakthrough progress in value-added services development, representing a significant transformation in business structure.”

Colour Life possesses rich experiences in integration and unparalleled capabilities in community reforms and upgrades. We acquired Kaiyuan International, a leading enterprise in the property management industry in 2015, after a year of intergration, it has been operating smoothly. At the same time, with the progress of upgrades and reforms to the communities, its service efficiency and customer satisfaction increased significantly, providing a positive driver to the Group’s operating activities. Net cash inflow from operating activities was RMB104.1 million for the first half of 2016, up RMB173.3 million year on year. Moreover, according to the “2016 Research Report on the Top 100 property service provider in China” issued by China Index Academy, Colour Life ranked sixth among the Leading Property Management Companies in terms of Customer Satisfaction, which indicated that Colour Life has been effectively controlling its service efficiency and quality as well as growing its GFA under management.

Colour Life has stipulated a “Deconstruct + Construct” strategy based on community scenes to establish a “Business to Family” ecosystem. Following tireless experiments and explorations, Colour Life has reaped initial benefits from its business structure transformation. Revenue from value-added services

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<sup>1</sup> The year-on-year decline in gross margin was primarily due to the difference in recognizing revenue under lump sum basis and commission basis. The Group’s acquisition into Kaiyuan International had brought in a significant number of products with property management fees under a lump sum basis. The lump sum basis counts revenue from the whole project while the commission basis recognizes 10% of revenue from a project as commission. The difference between the two reflects cost differences and not an increase in corporate costs.

for the first half of 2016 rose 63.1% year on year to RMB71.4 million. Value-added services generated RMB70.1 million in gross profit, and gross profit margin remained steady at around 98.1%. Meanwhile, value added services took up 31.9% of the Segment Profit for the Period, increasing 10.2 percentage points compared to that of the six months ended 30 June 2015, the highest proportion among corresponding periods in recent three years, replacing the engineering services to become the second largest contributor to revenue and profit. The partnering enterprises and their products offered in the ecosystem yielded encouraging results. In particular, Colour Life's strategic product – "Colour Wealth Life Value-added Plan" – developed rapidly and accumulated new investment amounting to RMB603.1 million and contributed RMB12.9 million to the value-added service revenue, up 804.8% year on year. In addition, the order per day of E-Master (E-Repair operator) exceeded 8,000, in which over 95% attributed to property owners' household, making it one of the most active third party vertical applications. "The cooperation with E-Repair helped Colour life in sloving the repair concerns in common areas, showing great meaning to us." said Mr. Pan.

### **Rolled out the B2F platform to establish community the B2F service ecosystem**

"O2O" only describes the pathway to go from online to offline, while the essence of its business is B2F(Business to Family) that entering families via communities Colour Life considers that essential amenities in communities are critical precedents to prosperity of community B2F in the future, constituting the soil of the operating environment. Mr. Pan insisted, "Colour Life will focus on establishing a community service platform that provides water and soil to B2F enterprises which have ambitions to provide vertical services in communities with professional experience.

For example, Colour Life has created positions of offline customer managers who make appointments to visit homeowners regularly in order to comprehend household needs of each homeowner. This is a natural entry point to B2F referrals. At the same time, Caizhiyun APP is an essential online application for homeowners in Colour Life communities. As at 30 June 2016, there were 2.15 million Caizhiyun registered users, 52.7% of which were active. They need the platform to get access to premium services including parking and fee payments. These are essential property management functions and constitute a natural entrance point in community scenes.

"We aspire to beef up the community B2F soil foundation in the future because this is what families or the wide array of different B2F vertical professional service enterprises are expecting," according to Mr. Tang Xuebin, Executive Director and CEO of Colour Life, "We have a unique set of requirements for our cooperating enterprises: 1) What community-based services they can offer; 2) Where they can exhibit their community-based B2F professionalism; 3) What association Colour Life can create with other B2F enterprises at the moment."

Meanwhile, Colour Life realized the importance of professionalism for the future, which is essential for community vertical B2F. Yet all professions have their own barriers that Colour Life cannot deal with alone. As such, Colour Life focuses on perfecting the essential service "soil" platform for community services, trying relentlessly to get connected to more community B2F service enterprises to showcase their professional dimensions. The efforts seek to contribute to prosperity of the community B2F ecosystem with the professionalism of the service enterprises.

### **Prospects**

Mr. Pan concluded: "We have evolved into the world's largest residential community service operator of today from a regional property management company over the past 14 years. To date, Colour Life has

basically put our visions at the outset to reality. This is the return for our long term efforts in the community service sector and the result of our dedication and evolution. Facing the mobile internet trend, we are setting sail again and join hands with enterprises in the ecosystem to capitalize on this trend. We seek to complete upgrades and evolution of our own essential community services and turn the dessert of communities into an oasis.”

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#### **About Colour Life**

Colour Life is headquartered in Shenzhen, and it is a leading technology-based and integrated property services operating group in China. According to the “2016 Research Report on the Top 100 property service provider in China” issued by China Index Academy, Colour Life ranked sixth among the Leading Property Management Companies in terms of Customer Satisfaction.

Through implementing business strategies of standardization, centralization and automation, Colour Life has been able to provide consistent and cost-efficient residential property management services, and has maintained its strong position in the residential property management industry in China. Colour Life also focuses on developing an offline and online service platform connecting residents with local vendors, and has ample growth opportunities.

For inquiries, please contact:

**iPR Ogilvy & Mather**

Natalie Tam / Gary Li / Peter Chan / Louise Ye / Joseph Zhou

Tel: (852) 2136 6182/ 31706753/ 2136 6955/ 3920 7654/ 3920 7649

Fax : (852) 3170 6606

Email: colourlife@iprogilvy.com