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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 2020

HIGHLIGHTS

- During the Period, the total revenue decreased by approximately 1.8% to approximately RMB1,778.9 million from approximately RMB1,811.5 million for the same period of 2019.
- During the Period, profit attributable to owners of the Group increased by approximately 9.5% to approximately RMB236.4 million from approximately RMB215.9 million in the same period of 2019.
- As at 30 June 2020, the Group's total debt balance was approximately RMB2,252.2 million (31 December 2019: approximately RMB2,294.6 million), representing a decrease of approximately 1.9% and the debt-to-asset ratio decreased by 0.9 percent points to 55.9%.
- As at 30 June 2020, the Group's Total Contracted GFA was 563.7 million square meters.
- Based on the capital cooperation between the Group and JD.com (including its related parties), the Group joined hands with JD.com to develop the smart parcel locker business in June 2020.

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 2020 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	1,778,874	1,811,535
Cost of services		(1,197,449)	(1,221,854)
Gross profit		581,425	589,681
Other income		38,347	28,678
Other gains and losses		(5,461)	1,881
Impairment losses under expected credit loss model, net of reversal		(23,845)	(29,429)
Selling and distribution expenses		(6,546)	(21,849)
Administrative expenses		(187,996)	(190,755)
Expenses recharged to residential communities under commission basis		40,210	39,897
Finance costs		(87,972)	(110,133)
Change in fair value of investment properties		(687)	(917)
Share of results of associates		301	(3,721)
Share of results of joint ventures		(6,146)	7,401
Profit before tax		341,630	310,734
Income tax expense	4	(95,394)	(75,794)
Profit for the period	5	246,236	234,940

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (Continued)

		Six months ended 30 June	
		2020	2019
	<i>NOTE</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		2,820	(1,892)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		(705)	473
		<hr/>	<hr/>
Other comprehensive income (expense) for the period, net of income tax		2,115	(1,419)
		<hr/>	<hr/>
Total comprehensive income for the period		248,351	233,521
		<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:			
Owners of the Company		236,440	215,882
Non-controlling interests		9,796	19,058
		<hr/>	<hr/>
		246,236	234,940
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:			
Owners of the Company		238,555	214,463
Non-controlling interests		9,796	19,058
		<hr/>	<hr/>
		248,351	233,521
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic (RMB cents)	7	16.62	16.25
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – diluted (RMB cents)	7	16.62	16.25
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTE	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		179,638	202,735
Right-of-use assets		95,757	85,161
Investment properties		155,059	155,040
Interests in associates		55,585	55,557
Interests in joint ventures		96,621	100,224
Equity instruments designated at FVTOCI		119,555	121,735
Goodwill		2,317,252	2,317,252
Intangible assets		1,022,348	1,091,235
Contract assets		18,208	22,229
Other receivables		4,972	5,900
Loan receivables		35,781	7,858
Pledged bank deposits		–	90,500
Deferred tax assets		67,678	61,806
Amount due from a joint venture		68,887	72,899
Deposits paid for potential acquisition of subsidiaries		10,653	9,868
		<u>4,247,994</u>	<u>4,399,999</u>
Current Assets			
Inventories		–	3,700
Contract assets		46,956	45,464
Trade receivables	8	918,280	658,244
Other receivables and prepayments		782,739	745,853
Loan receivables		220,988	201,616
Payments on behalf of residents		948,380	908,465
Amounts due from fellow subsidiaries		334,634	189,025
Amounts due from non-controlling shareholders of the subsidiaries		88,184	94,956
Amounts due from related parties		13,249	64,311
Amounts due from associates		17,479	19,275
Amounts due from joint ventures		292,516	196,661
Financial assets at fair value through profit or loss (“FVTPL”)		–	3,000
Pledged/restricted bank deposits		116,046	124,146
Bank balances and cash		1,446,835	1,721,228
		<u>5,226,286</u>	<u>4,975,944</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020 (Continued)

	NOTE	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current Liabilities			
Trade payables	9	470,589	401,176
Other payables and accruals		948,421	886,679
Contract liabilities		477,463	350,215
Receipts on behalf of residents		309,939	403,862
Lease liabilities due within one year		6,287	2,300
Amounts due to fellow subsidiaries		31,760	341,809
Amounts due to non-controlling shareholders of the subsidiaries		66,142	57,647
Amounts due to associates		24,739	9,744
Amounts due to joint ventures		38,189	36,234
Amounts due to related parties		59,002	8,113
Amount due to immediate holding company		66,180	–
Tax liabilities		255,445	229,949
Borrowings due within one year		828,957	752,576
Senior notes and corporate bonds		868,143	149,786
Asset-backed securities issued due within one year		29,431	87,483
		<u>4,480,687</u>	<u>3,717,573</u>
Net Current Assets		<u>745,599</u>	<u>1,258,371</u>
Total Assets Less Current Liabilities		<u>4,993,593</u>	<u>5,658,370</u>
Non-current Liabilities			
Deferred tax liabilities		272,643	290,136
Amount due to a fellow subsidiary		–	126
Lease liabilities due after one year		19,662	11,343
Borrowings due after one year		520,500	1,287,704
Asset-backed securities issued due after one year		5,125	17,065
Total Non-current Liabilities		<u>817,930</u>	<u>1,606,374</u>
Net Assets		<u><u>4,175,663</u></u>	<u><u>4,051,996</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020 (Continued)

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Capital and Reserves		
Share capital	115,134	115,134
Reserves	3,868,916	3,755,045
	<hr/>	<hr/>
Equity attributable to owners of the Company	3,984,050	3,870,179
Non-controlling interests	191,613	181,817
	<hr/>	<hr/>
Total Equity	4,175,663	4,051,996
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Company and its subsidiaries (collectively referred to as the “Group”) has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

In addition to the above amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, are effective for annual periods beginning on or after 1 January 2020.

Except as described below, the application of the above amendments to HKFRSs and the Amendments to References to the Conceptual Framework in HKFRS Standards in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact and accounting policy on application of Amendments to HKFRS 3 “Definition of a Business”

Accounting policy

Business combinations

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Transition and summary of effects

The amendments has no impact on the condensed consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the period ended 30 June 2020			
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	1,437,287	–	–	1,437,287
Pre-delivery services	26,922	–	–	26,922
Commission basis	89,796	–	–	89,796
Consultancy services fee	5,645	–	–	5,645
	<u>1,559,650</u>	<u>–</u>	<u>–</u>	<u>1,559,650</u>
<i>Value-added services</i>				
Online promotion services	–	42,707	–	42,707
Sales and rental assistance	–	82,483	–	82,483
Other value-added services	–	26,731	–	26,731
	<u>–</u>	<u>151,921</u>	<u>–</u>	<u>151,921</u>
<i>Engineering services</i>				
Equipment installation services	–	–	52,027	52,027
Repair and maintenance services	–	–	8,915	8,915
Energy-saving service fees	–	–	6,361	6,361
	<u>–</u>	<u>–</u>	<u>67,303</u>	<u>67,303</u>
	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>
Timing of revenue recognition				
A point in time	–	82,483	–	82,483
Over time	1,559,650	69,438	67,303	1,696,391
	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>

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

	For the period ended 30 June 2020					
	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)	522,165	425,302	493,714	248,931	174,197	1,864,309
Elimination	(25,188)	(22,649)	(20,403)	(8,116)	(9,079)	(85,435)
Revenue from contracts with customers and total revenue	<u>496,977</u>	<u>402,653</u>	<u>473,311</u>	<u>240,815</u>	<u>165,118</u>	<u>1,778,874</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the period ended 30 June 2019			
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	1,294,883	–	–	1,294,883
Pre-delivery services	115,144	–	–	115,144
Commission basis	89,457	–	–	89,457
Consultancy services fee	11,333	–	–	11,333
	<u>1,510,817</u>	<u>–</u>	<u>–</u>	<u>1,510,817</u>
<i>Value-added services</i>				
Online promotion services	–	84,050	–	84,050
Sales and rental assistance	–	91,826	–	91,826
Other value-added services	–	38,833	–	38,833
	<u>–</u>	<u>214,709</u>	<u>–</u>	<u>214,709</u>
<i>Engineering services</i>				
Equipment installation services	–	–	69,472	69,472
Repair and maintenance services	–	–	6,656	6,656
Energy-saving service fees	–	–	9,881	9,881
	<u>–</u>	<u>–</u>	<u>86,009</u>	<u>86,009</u>
	<u>1,510,817</u>	<u>214,709</u>	<u>86,009</u>	<u>1,811,535</u>
Timing of revenue recognition				
A point in time	–	91,826	–	91,826
Over time	1,510,817	122,883	86,009	1,719,709
	<u>1,510,817</u>	<u>214,709</u>	<u>86,009</u>	<u>1,811,535</u>

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

	For the period ended 30 June 2019					
	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (Unaudited)	492,373	444,247	528,433	263,022	172,508	1,900,583
Elimination	<u>(20,714)</u>	<u>(17,391)</u>	<u>(25,571)</u>	<u>(16,561)</u>	<u>(8,811)</u>	<u>(89,048)</u>
Revenue from contracts with customers and total revenue	<u>471,659</u>	<u>426,856</u>	<u>502,862</u>	<u>246,461</u>	<u>163,697</u>	<u>1,811,535</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenues and results by operating and reportable segments:

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Six months ended 30 June 2020						
(Unaudited)						
Segment revenue	<u>496,977</u>	<u>402,653</u>	<u>473,311</u>	<u>240,815</u>	<u>165,118</u>	<u>1,778,874</u>
Segment profit	<u>118,387</u>	<u>106,153</u>	<u>124,659</u>	<u>43,737</u>	<u>45,578</u>	438,514
Changes in fair value of investment properties						(687)
Changes in fair value of financial assets at FVTPL						240
Share of results of associates						301
Share of results of joint ventures						(6,146)
Impairment losses on amount due from a joint venture and loan receivables, net of reversal						(4,736)
Finance costs						(87,972)
Interest income						18,471
Exchange loss						(9,172)
Share-based payment expenses						(3,349)
Other unallocated expenses						<u>(3,834)</u>
Profit before tax						<u>341,630</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Eastern China <i>RMB'000</i>	Southern China <i>RMB'000</i>	Western China <i>RMB'000</i>	Northern China <i>RMB'000</i>	Central China <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2019						
(Unaudited)						
Segment revenue	<u>471,659</u>	<u>426,856</u>	<u>502,862</u>	<u>246,461</u>	<u>163,697</u>	<u>1,811,535</u>
Segment profit	<u>100,576</u>	<u>100,943</u>	<u>124,583</u>	<u>40,282</u>	<u>40,853</u>	407,237
Changes in fair value of investment properties						(917)
Changes in fair value of financial assets at FVTPL						2,202
Share of results of associates						(3,721)
Share of results of joint ventures						7,401
Finance costs						(110,133)
Interest income						24,493
Exchange loss						(1,612)
Share-based payment expense						(13,274)
Other unallocated expenses						<u>(942)</u>
Profit before tax						<u>310,734</u>

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the executive directors of the Company, the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue and results from major services

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

	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Engineering services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2020 (Unaudited)				
Revenue from major services	<u>1,559,650</u>	<u>151,921</u>	<u>67,303</u>	<u>1,778,874</u>
Profit from major services	<u>290,557</u>	<u>134,888</u>	<u>13,069</u>	<u>438,514</u>
Six months ended 30 June 2019 (Unaudited)				
Revenue from major services	<u>1,510,817</u>	<u>214,709</u>	<u>86,009</u>	<u>1,811,535</u>
Profit from major services	<u>248,885</u>	<u>142,373</u>	<u>15,979</u>	<u>407,237</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	119,464	101,596
Deferred tax		
Credit to profit and loss	(24,070)	(25,802)
	<u>95,394</u>	<u>75,794</u>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs	647,149	633,188
Government grant	(10,268)	(1,777)
Loss (gain) on disposal of property, plant and equipment, net	50	(42)
Amortisation of intangible assets	68,887	70,777
Depreciation of property, plant and equipment	28,693	20,684
Depreciation of right-of-use assets	3,895	1,300
Net gain arising on financial assets at FVTPL	(240)	(2,202)

6. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents (2019: final dividend in respect of the year ended 31 December 2018 of HK18.00 cents, equivalent to RMB15.40 cents) per share was declared. Subsequent to 30 June 2020, RMB26,112,000 (2019: RMB210,375,000) were paid to the owners of the Company in cash and dividend amount of RMB101,921,000 (2019: nil) were paid to the shareholders in form of new fully paid shares of the Company.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>236,440</u>	<u>215,882</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,422,746</u>	<u>1,328,638</u>

For the six months ended 30 June 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

8. TRADE RECEIVABLES

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 30 days	311,524	212,587
31 – 90 days	239,947	161,725
91 – 180 days	185,014	140,240
181 – 365 days	139,392	108,999
Over 1 year	<u>42,403</u>	<u>34,693</u>
	<u>918,280</u>	<u>658,244</u>

9. TRADE PAYABLES

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

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 – 60 days	299,351	275,658
61 – 180 days	120,938	82,941
181 – 365 days	29,382	26,884
Over 1 year	20,918	15,693
	<hr/> 470,589 <hr/>	<hr/> 401,176 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

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

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

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

The Group has also classified communities managed by it into various service levels based on different charging standards, set standards for equipment modification and service packages to ensure standard customer experience in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of increasing management areas and securing customer satisfaction.

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

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

On 19 July 2019, the Group reached agreements with JD.com and 360.com, pursuant to which the Company would issue 71,149,000 shares and 22,956,000 shares to them respectively at a price of HK\$5.22 per share. Upon completion of the aforesaid transactions in 2019, the aggregate interests held by JD.com and 360.com in the Company accounted for 5.00% and 3.05%, respectively, of the enlarged share capital.

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

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group’s Managed GFA. Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of Managed GFA will thus be called the “revenue-bearing GFA”. The difference between the Total Contracted GFA and the revenue-bearing GFA is the “reserved GFA” which will be transferred to the revenue-bearing GFA in future.

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

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience, as at 30 June 2020, the Total Contracted GFA of the Group had reached 563.7 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,850. As at 30 June 2020, the area of the Group's revenue-bearing GFA reached 363.7 million sq.m.. At the same time, the Group is actively building up an online platform for its community services, and through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life. Today, the projects that the Group served cover 279 cities in China and one overseas country, namely Vietnam, fully demonstrating the technological strength of the Group's online platform.

The Group entered into a cooperation agreement with Phu My Hung Development Corporation (a company based in Vietnam), pursuant to which both parties jointly made contribution to establish an associate in Vietnam, i.e. Hung Thai Technology Company Limited (hereafter referred to as "Hung Thai Technology"), which will be responsible for the management of property projects in Vietnam. Meanwhile, the Group will provide platform technology and license it to Hung Thai Technology, including guidance on cloud platform technology, assistance for it to build smart communities by leveraging on our cloud platform, etc.. As of 30 June 2020, the Total Contracted GFA of Hung Thai Technology's subsidiary reached approximately 3.35 million sq.m.. Meanwhile, LivinPMH, the Vietnamese version of Caizhiyun APP, has also been launched, which mainly provides the users with basic property management functions and business information services. As of 30 June 2020, the number of online commercial tenants in LivinPMH amounted to 1,386, demonstrating the acceptance and recognition of intelligent community system with Colour Life feature in the Vietnamese market.

In addition to extending the online platform or providing the relevant technical guidance to other property management companies, the Group continued to expand the scopes under which its online platform technology can be applied. For example, the Group helped Changsha City Public Security Bureau to develop the Changsha Gardener APP for mass prevention and treatment to public order in Changsha City. Citizens can take up patrol orders or traffic violation reporting orders from the Changsha Gardener. Once an order is completed, the users can get relevant points as a coupon when the users make a purchase on the Changsha Gardener APP. This new model has encouraged the general public to participate in the process of building a secure city as well as their harmonious communities, extremely well received by the Changsha Municipal Government. As at 30 June 2020, registered users of the Changsha Gardener APP amounted to 6.0 million. Taking patrol orders as example, there were a total of approximately 2.1 million people participating in the patrol service since the launch of such service on 28 March 2019 up to 30 June 2020, with a total patrol route length of approximately 3.7 million kilometers. The platform has received a total of 566.0 thousand reported cases relating to traffic violations and 1.4 thousand reported drug cases, making itself an efficient channel for citizens to jointly participate in the construction of a civilised city. The successful launching of such innovative application indicates that the Group's online platform technology has a wider application, and it will have greater space for development in the future.

In addition, following the signing of the comprehensive strategic cooperation agreement between the Group and JD.com, the two parties jointly promoted the implementation of a pilot business of smart parcel lockers in 2020. Under this business model, JD.com is responsible for the installation of smart parcel lockers, while the Group is responsible for the courier delivery within the communities. The fees paid by the couriers for using such cabinets are allocated between the Group and JD.com as income. Instead of fixed annual rental fees paid to the communities in respect of such cabinets under the original arrangement, this business model generates commissions from the efficient turnover of such cabinets, significantly improving the profitability of the business. At the same time, the Group provides assistance for order delivery, which offers more opportunities for communication between our staffs and the residents. As at 7 August 2020, a total of 115 smart parcel lockers have been set up at 95 pilot communities served by the Group in 17 cities. As calculated, revenue generated from such business may exceed the original venue rental income should the usage rate reached 60%. Currently, the average usage rate of new lockers reached approximately 81%, and the highest usage rate in Shenzhen reached up to 120%.

As at 30 June 2020, the locations of communities where the Group provided management, consultancy services and which the Group cooperated with are set out as follows:



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

As at 30 June 2020, the Group recorded a sustained growth in platform service area. The following table sets out the contracted GFA and the number of communities where the Group provided management and consultancy services in different regions as at the dates indicated below:

	As at 30 June 2020				As at 31 December 2019			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy's service arrangements	
	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
Shenzhen	9,491	126	727	16	9,596	127	727	16
Southern China (excluding Shenzhen)	91,859	574	2,126	8	90,680	570	2,126	8
Eastern China	143,720	942	2,469	8	145,195	951	2,469	8
Southwestern China	98,183	375	968	3	99,285	385	967	3
Northeastern China	21,012	97	1,664	7	21,075	98	1,680	8
Northwestern China	16,605	86	3,506	2	16,347	85	3,506	2
Northern China	35,860	146	150	2	35,839	145	150	2
Central China	135,021	457	300	1	132,087	454	300	1
Total ⁽¹⁾	<u>551,751</u>	<u>2,803</u>	<u>11,910</u>	<u>47</u>	<u>550,104</u>	<u>2,815</u>	<u>11,925</u>	<u>48</u>

Note:

(1) As at 30 June 2020, the Group's Total Contracted GFA reached 563.7 million sq.m..

As at 30 June 2020, the Group managed 2,803 communities with an aggregate contracted GFA of approximately 551.8 million sq.m. and entered into consultancy service contracts with 47 communities with an aggregate contracted GFA of approximately 11.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with during the reporting period:

	As at 30 June 2020				As at 31 December 2019			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy's service arrangements	
	Contracted GFA	Number of residential communities	Contracted GFA	Number of residential communities	Contracted GFA	Number of residential communities	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	550,104	2,815	11,925	48	542,299	2,661	11,353	48
New engagements ⁽¹⁾	4,762	20	-	-	22,044	260	598	2
Acquisition ⁽²⁾	-	-	-	-	1,231	9	-	-
Termination ⁽³⁾	(3,115)	(32)	(15)	(1)	(15,470)	(115)	(26)	(2)
As at the end of the year	<u>551,751</u>	<u>2,803</u>	<u>11,910</u>	<u>47</u>	<u>550,104</u>	<u>2,815</u>	<u>11,925</u>	<u>48</u>

Notes:

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

BUSINESS OVERVIEW

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and
- Value-added services, which primarily include: (i) provision of online promotion services; (ii) provision of sales and rental assistance services; and (iii) provision of other value-added services; and
- Engineering services, which primarily include: (i) provision of equipment installation services; (ii) provision of repair and maintenance services; (iii) provision of automation and other equipment upgrade services; and (iv) provision of energy-saving services.

Scope of Services for Property Management Services

As at 30 June 2020, the Group employed over 55,474 on-site personnel (including staffs employed by the Group and the staffs outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2020		As at 31 December 2019	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.4-11.4	1.8-16.9	0.4-11.4	1.8-16.9
Southern China (excluding Shenzhen)	0.5-5.9	0.7-16.9	0.5-5.9	0.7-16.9
Eastern China	0.4-17.0	1.1-16.0	0.4-17.0	1.1-16.0
Southwestern China	0.5-6.1	0.3-25.0	0.5-6.1	0.3-25.0
Northeastern China	0.4-3.3	2.0-18.0	0.4-3.3	2.0-18.0
Northwestern China	0.5-4.0	1.4-22.7	0.5-4.0	1.4-22.7
Northern China	0.7-5.5	1.2-25.0	0.7-5.5	1.2-25.0
Central China	0.6-5.3	0.9-16.9	0.6-5.3	0.9-16.9

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

Property Management Services under Commission Basis

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

Property Management Services under Lump Sum Basis

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

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the pre-sale activities and recognizes the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its value-added services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future. As at 30 June 2020, the Group provided consultancy services for 47 communities and the Consultancy GFA was 11.9 million sq.m..

Scope of Services for Value-added Services

Adhering to the value and concept of “Service to Your Family”, the Group has been focusing on providing diversified value-added services for community property owners. With 17 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management, consultancy or which the Group cooperates with, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

With the promotion of more convenient ports such as WeChat applet, the number of users logging onto Caizhiyun through WeChat has increased significantly. At the same time, the ecosystem product companies have developed rapidly. Specifically, the E-Energy has established a strategic cooperation partnership with Tencent Park and successfully entered the Vietnam market. With number of users continuing to rise, in order to reflect the actual operation more realistically, we decided to change the statistical criteria of registered and active users to the ecosystem standard with effect from 2018, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 30 June 2020, registered users of Colour Life’s ecosystem increased to approximately 37.7 million, of which 16.7 million were ecosystem active users. The accumulated value-added services revenue was RMB151.9 million. The gross profit margin remained at a high level of 94.4%, contributing a profit of 30.8%.

At the same time, the Group’s new cooperation model with property developers is designed to provide quality property management services and facilitate the destocking of property developers’ existing assets, namely Colour Life Parking Lots (彩生活車位). Such model mainly targets at parking lots that are difficult for property developers to sell, and part of the purchase fee paid by buyers is returned to their Caizhiyun accounts year after year, which can be used to pay consumptions on the Caizhiyun platform, thereby offering cost saving to buyers in future. The product of Colour Life Parking Lots facilitated good interactions between the Group and property developers, helping the Group to gain property service resources.

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

Online promotion services

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

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorizing property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

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

Scope of Services for Engineering Services

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

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

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

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

Installation service fees from provision of engineering services

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

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

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

Service fees from provision of repair and maintenance services

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

Community automation services (also referred to as “equipment leasing services”)

The Group renders automation and other equipment upgrade services to communities that it provides management or consultancy services, including car park security systems, building access systems and remote surveillance cameras. These equipment items were invested by Shenzhen Kaiyuan Tongji and made available for use by various communities. The community automation services income was recategorised to value-added services as a result of the adoption of HKFRS 16 since 1 January 2019.

Service fees from provision of energy-saving services

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

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the current period, total revenue slightly decreased by 1.8% from RMB1,811.5 million for the corresponding period of 2019 to approximately RMB1,778.9 million, which basically remained in line with the amounts of corresponding period of 2019.

	For the six months ended 30 June				Variance	
	2020		2019		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Property management services	1,559,650	87.7%	1,510,817	83.4%	48,833	3.2%
Value-added services	151,921	8.5%	214,709	11.9%	(62,788)	(29.2%)
Engineering services	67,303	3.8%	86,009	4.7%	(18,706)	(21.7%)
Total revenue	<u>1,778,874</u>	<u>100%</u>	<u>1,811,535</u>	<u>100%</u>	<u>(32,661)</u>	<u>(1.8%)</u>

Property Management Services

For the current period, revenue from property management services increased by 3.2% from RMB1,510.8 million for the corresponding period of 2019 to RMB1,559.7 million for the current period.

	For the six months ended 30 June				Variance	
	2020		2019		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Property management service fees on lump sum basis	1,437,287	80.8%	1,294,883	71.5%	142,404	11.0%
Property management service fees on commission basis	89,796	5.0%	89,457	4.9%	339	0.4%
Pre-delivery services	26,922	1.6%	115,144	6.4%	(88,222)	(76.6%)
Property management consultancy service fees	5,645	0.3%	11,333	0.6%	(5,688)	(50.2%)
Total	<u>1,559,650</u>	<u>87.7%</u>	<u>1,510,817</u>	<u>83.4%</u>	<u>48,833</u>	<u>3.2%</u>

The increase in property management services was primarily attributable to:

- (a) an increase in revenue from service fees charged on a lump sum basis of RMB142.4 million, which was due to the completion of the acquisitions of Beijing Darwin at the end of March 2019 as well as the conversion of certain pre-delivery service projects into property management projects under lump sum basis upon the completion of pre-delivery stage;
- (b) a slight increase in revenue from property management services under commission basis of RMB0.3 million;

- (c) a decrease in revenue for pre-delivery services for the current period of approximately RMB88.2 million as compared to the amounts for the corresponding period of 2019 which was mainly due to the conversion of certain pre-delivery service projects into property management projects under lump sum basis upon the completion of pre-delivery stage;
- (d) a decrease in revenue from the consultancy service contracts of approximately RMB5.7 million to approximately RMB5.6 million for the current period due to the expiration of certain consultancy service agreements.

Due to the above facts, revenue from property management services for the current period accounted for 87.7% of the total revenue of the Group, representing an increase of 4.3 percentage points from 83.4% for the corresponding period of 2019.

Value-added Services

For the current period, revenue from value-added services decreased by 29.2% from RMB214.7 million for the corresponding period of 2019 to RMB151.9 million for the current period.

	For the six months ended 30 June				Variance	
	2020		2019		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Online promotion services	42,707	2.4%	84,050	4.6%	(41,343)	(49.2%)
Sale and rental assistance	82,483	4.6%	91,826	5.1%	(9,343)	(10.2%)
Other value-added services	26,731	1.5%	38,833	2.2%	(12,102)	(31.2%)
Total	151,921	8.5%	214,709	11.9%	(62,788)	(29.2%)

The decrease in value-added services was primarily attributable to:

- (a) a decrease in revenue from online promotion services of approximately RMB41.3 million from approximately RMB84.0 million for the corresponding period of 2019 to approximately RMB42.7 million for the current period, which was due to the business transformation in accordance with the Group's strategy;
- (b) a decrease in revenue from sales and rental assistance of approximately RMB9.3 million from approximately RMB91.8 million for the corresponding period of 2019 to approximately RMB82.5 million for the current period, which was mainly due to the decrease in the sales volume of parking lots as a result of the impact of epidemic;
- (c) a decrease in revenue from other value-added services of approximately RMB12.1 million from approximately RMB38.8 million for the corresponding period of 2019 to RMB26.7 million for the current period, which was mainly due to the business transformation in accordance with the Group's strategy.

Engineering Services

For the current period, revenue from engineering services decreased by 21.7% from RMB86.0 million for the corresponding period of 2019 to RMB67.3 million for the current period.

	For the six months ended 30 June				Variance	
	2020		2019			
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	52,027	2.9%	69,472	3.8%	(17,445)	(25.1%)
Repair and maintenance service fees	8,915	0.5%	6,656	0.4%	2,259	33.9%
Energy-saving service fees	6,361	0.4%	9,881	0.5%	(3,520)	(35.6%)
Total	67,303	3.8%	86,009	4.7%	(18,706)	(21.7%)

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

- (a) a decrease in revenue from equipment installation services of approximately RMB17.4 million from RMB69.4 million for the corresponding period of 2019 to RMB52.0 million for the current period, which was mainly due to the decrease of approximately RMB21.3 million in revenue from installation of energy-saving light bulbs and pumps and also the business transformation in accordance with the Group's strategy;
- (b) a slight increase in revenue from repair and maintenance services of approximately RMB2.3 million to approximately RMB8.9 million for the current period;
- (c) a decrease in revenue from energy-saving service fees of approximately RMB3.5 million from approximately RMB9.9 million for the corresponding period of 2019 to approximately RMB6.4 million for the current period, which was mainly due to the outbreak of COVID-19.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation and others. The cost is mostly incurred by property management service contracts on a lump sum basis and pre-delivery services contracted with property developers. For the current period, cost of sale and services decreased by approximately RMB24.5 million or 2.0% from approximately RMB1,221.9 million for the corresponding period of 2019 to approximately RMB1,197.4 million. The decrease was primarily attributable to (i) the increase in property management costs of approximately 3% (approximately RMB31.6 million) which was in line with the increase in property management income; (ii) the decrease in value-added service costs of approximately RMB40.5 million mainly due to the decrease in the costs of sale agency services as a result of the significant decrease in the sales volume of parking lots under the impacts of the epidemic outbreak; (iii) the decrease in engineering service costs of approximately RMB15.5 million mainly due to the decrease in business costs incurred by the installation of energy-saving light bulbs and pumps and other businesses as a result of strategy adjustment by the Group and the decrease in repair and maintenance staff costs following the launch of the E-Repair platform.

Gross Profit and Gross Profit Margin

For the current period, overall gross profit slightly decreased by RMB8.3 million from approximately RMB589.7 million for the corresponding period 2019 to approximately RMB581.4 million. The decrease was mainly due to the following factors: (i) gross profit of property management services increased by approximately RMB17.2 million as compared with the corresponding period of 2019; (ii) gross profit of value-added services decreased by approximately RMB22.3 million as compared with the corresponding period of 2019; and (iii) gross profit of engineering services decreased by RMB3.2 million as compared with the corresponding period of 2019.

Overall gross profit margin slightly increased by 0.1 percentage point from 32.6% for the corresponding period of 2019 to 32.7% for the current period.

(i) Property Management Services

For the current period, the gross profit of the property management services increased by approximately RMB17.2 million as compared with the corresponding period of 2019, while the gross profit margin increased by 0.3 percent point from approximately 26.5% for the corresponding period of 2019 to approximately 26.8% for the current period.

(ii) Value-added Services

For the current period, the gross profit of the value-added services decreased by 13.4% from approximately RMB165.8 million for the corresponding period of 2019 to approximately RMB143.5 million. The decrease was mainly due to the business transformation in accordance with the Group's strategy.

(iii) Engineering Services

For the current period, the gross profit of engineering services slightly decreased by approximately RMB3.2 million from RMB23.7 million for the corresponding period in 2019 to RMB20.5 million. The decrease was mainly due to the outbreak of COVID-19.

Other Gains and Losses

The Group recorded net other losses for the current period of RMB5.5 million (the corresponding period in 2019: net other gains of RMB1.9 million), which was due to net exchange loss of RMB9.2 million (the corresponding period in 2019: net exchange loss of RMB1.6 million) as a result of the appreciation of USD.

Other Income

For the current period, the Group's other income amounted to approximately RMB38.3 million, which primarily comprises of (i) interest income of RMB18.5 million; and (ii) government grants and value-added tax refunds totaling approximately RMB14.5 million. For the current period, the other income increased by approximately 33.7% from approximately RMB28.7 million for the corresponding period of 2019.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately RMB15.3 million or 70.0% from approximately RMB21.8 million for the corresponding period of 2019 to approximately RMB6.5 million for the current period. The decrease mainly represented the decrease in promotion expenses for Colour Life Parking Lots business and other value-added services due to the outbreak of COVID-19 and business transformation in accordance with the Group's strategy.

Administrative Expenses

The Group's administrative expenses slightly decreased by approximately 1.4% from approximately RMB190.8 million for the corresponding period of 2019 to approximately RMB188.0 million for the current period. The decrease was primarily due to (i) a decrease in share-based payment expenses of approximately RMB9.9 million in respect of the share options schemes and share award scheme adopted by the Company; and (ii) an increase in the administrative staff costs of approximately RMB8.5 million as a result of the expansion of property management services and business transformation of the value-added services.

Expenses Recharged to Residential Communities on a Commission Basis

For the current period, the Group's expenses recharged to residential communities managed under commission basis amounted to approximately RMB40.2 million, representing a slight increase of RMB0.3 million or 0.8% from approximately RMB39.9 million for the corresponding period of 2019.

Finance Costs

For the current period, the Group's finance costs amounted approximately RMB88.0 million, representing a decreased of approximately RMB22.1 million or approximately 20.1% from approximately RMB110.1 million for the corresponding period of 2019. The decrease was mainly due to the lower level of average debts for the current period as compared to those for the corresponding period of 2019. As at 30 June 2020, the total debts of the Group decreased by approximately RMB42.4 million from the total amount of RMB2,294.6 million as at 31 December 2019 to approximately RMB2,252.2 million.

Share Options

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

On 29 September 2014, 30 April 2015, 18 March 2016 and 27 November 2018, the Company granted 45,000,000, 25,000,000, 34,247,488 and 19,464,720 share options to the directors, employees, and non-controlling shareholders of certain subsidiaries, with an exercise price of HK\$6.66 each, HK\$11.00 each, HK\$5.76 each and HK\$4.11 each, respectively. The Company recognised the total expense of approximately RMB3.3 million for the current period (the corresponding period of 2019: RMB6.7 million).

Changes in Fair Value of Investment Properties

The fair value loss on investment properties accounting to RMB0.7 million for the current period was mainly due to the outbreak of COVID-19.

Income Tax Expenses

The Group's income tax expenses increased by 25.9% from approximately RMB75.8 million for the corresponding period of 2019 to approximately RMB95.4 million for the current period, which was primarily due to an increase in current enterprise income tax of 17.6% from RMB101.6 million for the corresponding period of 2019 to RMB119.5 million for the current period.

Intangible Assets

As at 30 June 2020, the carrying amount of intangible assets held by the Group was approximately RMB1,022.3 million (31 December 2019: approximately RMB1,091.2 million). The amortisation of intangible assets was approximately RMB68.9 million for the year.

Trade and Other Receivables and Prepayments

Trade receivables primarily arise from property management services under lump sum basis and pre-delivery services, value-added services and engineering services.

As at 30 June 2020, trade receivables of the Group net of the allowance for expected credit losses, amounted to approximately RMB918.3 million, which increased by approximately RMB260.1 million or 39.5% as compared to approximately RMB658.2 million as at 31 December 2019. Based on the analysis of historical payment pattern by the management, the residents will usually settle the outstanding property management fees by the end of the year, which are also benefited from more resources involved by the property management companies to chase the residents for management fee settlement in second half of the year. It is a common practice of property management industry, therefore, the trade receivables as at 31 December is expected to be much lower than those as at 30 June.

Other receivables and prepayments increased by RMB36.0 million from approximately RMB751.7 million as at 31 December 2019 to approximately RMB787.7 million as at 30 June 2020. The increase was primarily attributable to (i) an increase in refundable deposits paid to business partners of approximately RMB65.4 million in relation to Colour Life Carpark Projects; (ii) an increase in prepayments to suppliers of approximately RMB6.6 million; and (iii) settlement of consideration receivables for disposal of subsidiaries in prior years of RMB22.3 million.

Payments/Receipts on Behalf of Residents

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

Trade and Other Payables and Accruals

Trade and other payables primarily comprise of payables to sub-contractors and suppliers for property management services and engineering services, deposits received, accrued staff costs, other tax payables, dividend payments and other payables and accruals, details of which are as follows:

- (1) Trade payables increased from approximately RMB401.2 million as at 31 December 2019 to approximately RMB470.6 million as at 30 June 2020, which primarily represent the unsettled payment to sub-contractors and suppliers.
- (2) Other payables and accruals increased from approximately RMB886.7 million as at 31 December 2019 to approximately RMB948.4 million as at 30 June 2020, which were primarily due to (i) an increase in dividend payables of approximately RMB61.9 million settled in full in July 2020; and (ii) an increase in other tax payables of approximately RMB37.6 million.

Senior Notes and Corporate Bonds

As at 30 June 2020, the carrying amounts of senior notes and corporate bonds of the Group was approximately RMB868.1 million (31 December 2019: RMB149.8 million).

In November 2017, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) (“**Shenzhen Colour Life**”) issued corporate bonds in an aggregate principal amount of RMB150,000,000. The domestic corporate bonds are guaranteed by Fantasia Group (China) Co., Ltd. (花樣年集團(中國)有限公司) (“**Fantasia China Group**”) and carry interest at rate of 7% per annum. The corporate bonds will mature in November 2020.

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

Asset-backed Securities Issued

As at 30 June 2020, the carrying amounts of the asset-backed securities issued were approximately RMB34.6 million (31 December 2019: RMB104.5 million).

In August 2016, Shenzhen Colour Life issued asset-backed securities (“2016 ABS”) with aggregate principal amount of RMB300 million under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China Group. The 2016 ABS will mature in January 2021.

In January 2018, Shenzhen Colour Life issued the asset-backed securities (“2018 ABS”) with aggregate principal amount of RMB100 million under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China Group. During the current period, the 2018 ABS were repaid upon maturity.

Borrowings and Charges on the Group's Assets

As at 30 June 2020, the Group had borrowings of approximately RMB1,349.5 million (31 December 2019: approximately RMB2,040.3 million). Amongst the borrowings, approximately RMB299.7 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries and approximately RMB1,049.8 million were unsecured.

Bank and Cash Balance

As at 30 June 2020, the Group's total cash decreased by 15.9% from approximately RMB1,721.2 million as at 31 December 2019 to approximately RMB1,446.8 million. The decrease in bank balances and cash was mainly due to (i) a net cash inflow of approximately RMB222.6 million generated from operating activities; (ii) a net cash outflow of approximately RMB123.1 million used in investment activities; and (iii) a net cash outflow of approximately RMB370.6 million used in financing activities.

Net Gearing Ratio

The net gearing ratio was 16.5% as at 30 June 2020 (31 December 2019: 8.9%), which was due to the decrease in cash equivalents. The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and corporate bonds, asset-backed securities, after deduction of bank balances and cash and pledged bank deposits) over the total equity.

Exchange Rate Risk

The Group mainly operates its business in China. Other than borrowings and senior notes denominated in foreign currency, the Group does not have any other material direct exposure to foreign exchange fluctuations. For the current period, the appreciation of USD resulted in an exchange loss of RMB9.2 million.

Employee and Remuneration Policies

As at 30 June 2020, excluding employees for communities on a commission basis, the Group had approximately 13,957 employees (31 December 2019: approximately 15,289 employees). Remuneration is determined with reference to the performance, skills, qualifications and experience of employees concerned and the prevailing industry practices.

Apart from salary payments, other employee benefits include contributions to the Mandatory Provident Fund scheme (for employees of Hong Kong Special Administrative Region) and the state-managed pension fund scheme (for employees of Mainland China) and a discretionary bonus scheme.

INTERIM DIVIDEND

The Board had resolved that no interim dividend shall be paid for the Period (six months ended 30 June 2019: nil).

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board of directors of the Company that shareholders can maximise their benefits from good corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the six months ended 30 June 2020, the Board has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange.

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 contained in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiry to all Directors and all Directors confirmed that they have complied with the requirements set out in the Model Code for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Mr. Tam Chun Hung, Anthony is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results for the Period. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the Period 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 LISTED SECURITIES

Senior Notes

During the current period, the Company issued senior notes in an aggregate principal amount of USD100,000,000. The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company and carry interest at 8% per annum and will mature in 2021, unless redeemed earlier.

The Board of Directors of the Company has adopted a share award scheme (the “**Share Award Scheme**”) on 4 July 2016 for certain employees of the Group and consultants to the Group as incentives or rewards for their contribution or potential contribution to the Group by way of the Company’s shares acquired by and held through an independent trustee appointed by the Company until fulfilment of special conditions before vesting.

During the current period, no share of the Company was acquired for the Share Award Scheme and no share was awarded to employee or consultant of the Group.

During the corresponding period of 2019, 1,833,000 shares of the Company were awarded to eligible employees or consultants of the Group for their performance and contribution of the Group.

As at 30 June 2020, 1,802,000 shares were held under the Share Award Scheme.

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 2020 interim report of the Company will be available at the aforesaid websites and will be dispatched to the Company’s shareholders thereafter in due course.

For and on behalf of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
PAN Jun
Chairman and Executive Director

Hong Kong, 18 August 2020

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