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Colour Life Services Group Co., Limited

(Stock code: 1778)

Colour Life achieved consistent high growth in revenue and profit each representing year-on-year growth at 62.2% and 18.2% respectively with strong cash flow from operating activities of RMB321.8 million

**Value-added services made big breakthrough
Asset-light business structural transformation yielded remarkable results**

Financial and business highlights for 2016

- **Accomplished outstanding results for the year with rapid growth in revenue and profit**
 - Achieved revenue of RMB1,342.1 million for the year, up by 62.2%.
 - Gross profit was approximately RMB585.8 million, up by 28.9%.
 - Gross profit margin maintained at a high level of 43.6%, surpassing the average of industry and matching the management's expectations. The decline in gross profit margin was primarily attributable to the new acquisition of new property management companies, which brought considerable gross floor area ("GFA") of properties under management in lump sum basis, thus it has a different recognition in revenue with the commission basis.
 - Net profit for the year amounted to RMB216.0 million, up by 18.2% from RMB182.7 million for 2015. Adjusted profit⁽¹⁾ for the year amounted to RMB354.8 million, up by 13.2% from RMB313.5 million for 2015.
- **Abundant cash balance with steady financial position**
 - Achieved RMB321.8 million in positive cash flow from operating activities, up by 34.8% YoY.
 - Cash and bank balance stood at RMB754.8 million as at 31 December 2016, with abundant cash reserved.
- **Enhanced competitive edges in both management scale and brand, launching the transformation and evolution towards platform output strategy**
 - As at 31 December 2016, GFA under management contracts and consultancy service arrangements of the Group reached 395.1 million sq.m. and the number of residential communities under the Group's management and consultancy services contracts reached 2,339, representing a year-on-year growth of 22.7% and 16.9%, respectively. The Group made its presence in 209 cities in China and one overseas country namely Singapore, realising rapid expansion of contracted GFA.
 - In August 2016, the Group's parent company Fantasia Holdings Group Co., Limited ("Fantasia holdings") announced the acquisition of Wanda Property Management Co., Ltd ("Wanda property"). After the completion of the acquisition, Kaiyuan International, a subsidiary of the Group, provided property management consultancy services to the residential portion of Wanda Property, making a further increase in the service capacity of the Group in respect of high-end properties.
 - In November 2016, the Group entered into a strategic cooperation with Shanghai Yinwan Network, and started its platform output strategy, which enabled the Group's Caizhiyun

platform service to reach 769.5 million sq.m.

- According to the “2016 Research Report on the top 100 property service providers in China” issued by China Index Academy, Colour Life ranked sixth in terms of customer satisfaction.

- **Successful transformation and upgrading of businesses with a big breakthrough in value-added services**

- Revenue from value-added services increased 48.1% to RMB156.9 million. Gross profit amounted to RMB144.1 million; gross profit margin was maintained at the high level of 91.9%.
- Value-added services contributed to 30.2% of overall segment profit of Colour Life, up by 9.2 percentage points, which is the highest level in the recent three years.
- Value-added services were the second largest income and profit contributor of Colour Life, and the business transformation has yielded more noticeable results.

(1) Defined as : net profit + share based payment expense + depreciation and amortization(net of income tax) + allowance for doubtful debt

(Hong Kong, 19 March 2017) **Colour Life Services Group Co., Limited** (“Colour Life” or the “Company”, which together with its subsidiaries, is referred to as the “Group”, HKEx stock code: 1778), the world’s largest residential community services operator, was pleased to announce its audited annual results for the year ended 31 December 2016.

As at 31 December 2016, the GFA under the Group’s management continued its rapid growth reaching 395.1 million sq.m., increased by 22.7%, up from 322.1 million sq. m in 2015. Together with the number of communities managed by the Group increased by 16.9% to 2,339, reflecting the rapid expansion of its service business segment.

During the year, the Group’s revenue increased by 62.2% to RMB1,342.1 million. Gross profit increased by 28.9% to RMB585.8 million. Gross margin was maintained at a healthy level of 43.6%, matching the management’s expectations. The decline in gross profit margin was primarily attributable to the new acquisition of new property management companies, which brought considerable gross floor area (“GFA”) of properties under management in lump sum basis, thus it has a different recognition in revenue with the commission basis.

The adjusted profit amounted to RMB354.8 million, up by 13.2% or RMB41.3 million from the RMB313.5 million for 2015. Profit attributable to the owners of the Company was approximately RMB187.8 million, up by 11.5%. Earnings per share were 18.8 RMB cents.

In order to reward shareholders for their unswerving support to the Group, the Board of Directors suggested a final dividend of 10 RMB cents per share, representing about 50% dividend payout ratio.

Mr. Pan Jun, Chairman of the Board and non-Executive Director of Colour Life, said, “2016 was the year of strategic transformation and upgrading of Colour Life. The initiative began to bear fruits in terms of business expansion and the formation of the ecosystem of its businesses. Every business segment has showed continuous, rapid growth. We deeply understood that reform and innovation are the driving forces of enterprises’ development. Therefore, on one hand the Group is committed to transformation and upgrading of projects, making standardization of services, integration of resources, adoption of technologies to have the significant efficiency. On the other hand, Colour Life sticks with its strategy for building the B2F(Business to Family) ecosystem which enables the diversified vertical services applications to go from public services to households services in communities. This has enabled us to

make a breakthrough in value-added services during the year. The preliminary business model and profit-making mechanism have showed its own way, contributing considerable revenue and profit. This shows that the transformation and evolution of the Group's businesses have begun to yield results."

The Group has reinforced its leading position as the world's largest property management company

The Group made its presence in 209 cities in China and one overseas country namely Singapore, realising rapid expansion of contracted GFA under management. Moreover, in August 2016, the Group's parent company, Fantasia Holdings announced the acquisition of **Wanda Property Management**. After the acquisition, Kaiyuan International, a subsidiary under Colour Life, started to provide property management consultancy services for the residential properties of Wanda Property, marking a Colour Life's enhanced capability to provide property management services for high-end properties.

In order to further expand market and acquire more users, the Group launched Colour Life Property Sales Model to expand the services market through the cooperation with property developers. The Group had speeded up the sales of properties and developed a sales model of "property sales + service" so that Caizhiyun platform can expand its number of subscribers and client base when the property buyers use "meal coupons" as rebates offered by property developers. In addition, such cooperation will potentially allow Colour Life to enter management service agreement of the projects it cooperated. As at 31 December 2016, the aggregate sales of Colour Life Property amounted to 4,513 units. Currently, the Group has entered into Colour Life Property Sales Model agreements with more than 27 developers in 39 cities of China, including Nanjing, Chengdu, Changsha, Wuhan, Xuzhou, Fuzhou, Wuxi and Huizhou. It is expected to accelerate the sales of Colour Life Property in the future.

While the scale of operation is expanding rapidly, the Group also attaches great importance to the improvement of service quality. During the year, the Colour Life Smart Community Model was upgraded to Version 3.3, which vastly improved the professional standards of its organization and the commercialization of its products. This enabled Colour Life to form the ecosystem of businesses oriented towards communities with emphases on users' needs and efficiency. After continuous upgradings and reforms, both efficiency of the Group's services and customer satisfaction increased significantly, which, in turn, added impetus to its operations. Net cash inflow from operating activities was RMB321.8 million for 2016, increased by 34.8% year on year. Moreover, according to the "2016 Research Report on the Top 100 property service providers in China" issued by China Index Academy, Colour Life ranked sixth among China's leading property management companies in terms of customer satisfaction. This shows that Colour Life has been able to effectively maintain the efficiency and quality of its services while increasing the GFA under its management.

Making every effort to explore online platform and succeeding in forming a B2F ecosystem of businesses to enhance competitiveness

Having adopted the "Deconstruct + Construct" strategy, Colour Life gradually built up its B2F ecosystem of businesses that allows home owners to have access to diverse services in the public service area, thus upgrading the Group's basic property management services. By experimenting with new ideas and exploring different possibilities, Colour Life's attempt to transform its business by forming the B2F ecosystem of businesses has begun to yield results.

As at 31 December 2016, the number of registered users of Colour Life's online platform, Caizhiyun, increased by 51.1% to 3.026 million, and the number of active users grew by 102.4% to 1.737 million. The active users accounted for 57.4% of the total number of registered users, representing a high level.

At the same time, the Group continued to focus on its strategy of building an open platform and has commenced cooperation with a number of third parties for vertical applications through business incubation and value chain restructuring strategy to jointly explore opportunities for business expansion in diversified community. Currently, the Group has established cooperation with Shenzhen Qianxun (深圳乾迅) (the provider of E-Repair services), Hehenian (合和年) (the provider of E-Wealth management services), Caizhijia (彩之家) (the provider of E-Leasing services), Ancaihua (安彩华) (the provider of E-Energy services) and JD.com (京東) etc. As at 31 December 2016, E-Repair recorded a daily order volume of more than 10,000 orders, 95% of which came from property owners' households. Besides, the annual new and accumulated investment of Colour Wealth Life amounted to RMB1,819.1 million.

The statistics showed that the upgrading and transformation of Colour Life's business have yielded significant results, as evidenced by the 48.1% increase in revenue at the value-added services to 156.9 million. Gross profit was RMB144.1 million. Gross profit margin remained at the high level of 91.9%. Meanwhile, the contribution of value-added services to the overall segment profit increased to 30.2%, which was the highest level in the past three years. The value-added services became Colour Life's second largest source of income and profit.

Accelerating business expansion with online platforms

With the completion of the underlying ecosystem of technology and the growing maturity of the ecosystem of businesses, the Group began to seek faster and quality growth with its asset-light business model. In November 2016, Colour Life announced its cooperation with **Shanghai Yinwan Network** ("Yinwan Network"), which made Colour Life's platform services accessible to 367.5 million sq.m. of GFA of properties managed by both Yinwan Network and Silver Key Association. As at 31 December 2016, in total the Group obtained a platform service area of 769.5 million sq.m. This will boost the growth of the value-added services and add impetus to the transformation and upgrading of the Group's business.

Summary

Mr. Pan Jun said, "In 2016, we adopted the concept of "Deconstruction and Reconstruction" and innovated in the way of business development by building an ecosystem of business oriented towards communities. This has enabled us to make many achievements. However, we are still faced with challenges in a number of aspects such as products, operations and technology, etc. We always believe that the future success depends on our abilities to focus our energy and resources and to evolve. Therefore, we will build on our existing services for communities at property projects and will seek to cooperate with many other companies which are providing services for communities through the B2F business model. Colour Life will leverage the professional services of these prospective business partners to work for prosperity of the B2F ecosystem of businesses. 2017 will be the year that marks the success of the transformation and upgrading of Colour Life's business. We will work towards this goal and keep working for shareholder value in the long term."

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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.

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